TP Group plc

Annual Report and Financial Statements 2021

Contents

Strategic Report

Governance

Financial Statements

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

Strategic Report

Chairman's Statement

2021 was a challenging year for TP Group. The financial performance is reported in the Financial and Operational Review section including an explanation of certain prior year adjustments. A significant cost reduction programme was initiated in the middle of 2021, substantially reducing head office overhead costs, resources and office facilities. This streamlining of the organisation structure placed clearer responsibilities into the business operations. Following the investment by Science Group plc ("Science Group") in the second half of the year and the associated Board changes, the Group's strategy and operations were reviewed. As a result of the restructuring and associated disposals, TP Group now comprises two divisions: TPG Services and TPG Maritime, both operating primarily in the aerospace and defence markets. Segmental reporting is provided in note 4 of these financial statements.

TPG Services

TPG Services has adapted well to the increased commercial rigour with a good management team operating as a disciplined, process-driven organisation. This growing, profitable business continues to strengthen its position as "Customer Friend", aligning with the end user. Reinforcing the strategy as a solution and product agnostic trusted partner, TPG Services has recently won a three year contract in support of the deployment of autonomous systems across air, land and sea, a key multi-domain integration programme. The Osprey business, acquired in 2020, which has an excellent reputation in its markets, is now being integrated into TPG Services enabling operating scale benefits and marketing synergies within the enlarged organisation.

While order intake in the first half of 2022 is slightly behind expectations, this is expected to recover and the Board anticipates continued progress in TPG Services. Revenue through to the end of June 2022 is in-line with management's expectations and the Division continues to operate profitably with actions to improve operating margins being successfully implemented by the management team.

TPG Maritime

The substantial challenges within TPG Maritime, resulting from onerous legacy contracts, became progressively more apparent in the latter part of 2021 and early 2022. In summary, some years ago the decision was taken to provide products and services under fixed price contracts. However, the TPG Maritime submarine air handling systems are complex and almost invariably require custom development. This fundamental change in contractual risk profile was not adequately addressed and the organisation, processes and resources necessary to operate such a high risk model were not implemented or have proven to be ineffective.

The financial consequences of the failure to address this change in risk profile is now being realised and substantial provisions have had to be taken. Not only has TPG Maritime reported an operating loss for 2021 and recorded a prior year adjustment, but the impact on operating margins will continue for several years into the future until these onerous contracts have been completed or renegotiated. The major inhibitor to the recovery of TPG Maritime relates to a UK contract which accounted for the majority of the forecast contract cost increases and onerous contract provisions set out in the Financial and Operational Review section. Some of these contracts contain unlimited parent company guarantees.

Renegotiating these legacy contracts, which are invariably with far larger counter-parties, has become the Board's priority and a corporate imperative.

Chairman's Statement

CONTINUED

A new management team has been installed to effect the necessary changes, including a general manager seconded from Science Group and the recruitment of a finance manager, supported by a strengthened operational management team.

In this challenging situation, with resources across the organisation focused on the priority to review existing programmes and renegotiate onerous contracts, TPG Maritime has had a slower start to 2022. Order intake, revenue and profit metrics are all below management's expectations for the year-to-date and these issues will continue to impact the financial performance of the business. Nevertheless, despite the near-term challenges TPG Maritime remains a leading provider of critical systems to its core market and has considerable potential opportunity in the longer term.

Corporate

The TPG Group strategy to focus on its UK-based Defence and Aerospace operations, was set out in November 2021 and the Board has been executing on that strategy. Accordingly, the non-core businesses of Northstar and Sapienza have now been sold, net of costs, for c.£2.5m. Furthermore, while Westek is a modest business, and discussions with a potential acquirer continue, it was turned around in the second half of 2021 and has traded profitably in the current year.

Throughout the past year, cash has been constrained and remains a major focus. Following the disposals of Northstar and Sapienza, c.£1.0m of the c.£2.5m net disposal proceeds have been used to reduce the Group's bank facility to £6 million, which remains fully drawn. In order to reassure the bank, suppliers and other stakeholders, and provide resilience against delays in customer payment receipts, a standby facility of up to £5 million was provided by Science Group in December 2021. A portion of the Science Group facility was drawn in March and June 2022 but on both occasions was subsequently not needed and was repaid, although current cash flow forecasts indicate that the facility may be utilised during the second half of the year. The Group's bank facility now expires in September 2023, co-terminus with the Science Group standby facility. The Board will shortly be commencing a refinancing exercise including discussions with its bank to extend or renew the facility. The Board are not anticipating that the Science Group facility will be extended beyond September 2023.

In summary, 2022 and 2023 will be a period of transition for TP Group, particularly dependent on the resolution of the legacy contracts in TPG Maritime. In view of the scheduled expiry of the debt facilities and the factors set out elsewhere in this report, the Board will need to consider the Group's financing and capital structure. However, if the TPG Maritime legacy contracts and the Group's capital structure are resolved, then TP Group should have a better foundation upon which the Board can then consider the longer term strategy.

Martyn Ratcliffe

Chairman

Financial and Operational Review

Key Performance Indicators	2021 £'m	2020 (Restated)[2] £'m
Revenue[1]	44.3	38.7
Gross profit %[1]	16%	22%
Adjusted operating profit[1]	(1.6)	0.9
Operating loss[1]	(7.5)	(3.3)
Loss from discontinued operations	(11.1)	(9.2)
Statutory loss	(19.0)	(12.8)
Cash	5.4	7.4
Bank debt	(7.0)	(7.0)

Revenue by business stream[1]	2021 £'m	2020 (Restated)[2] £'m
TPG Maritime	18.5	18.8
TPG Services	25.8	19.9
Total revenue	44.3	38.7

Adjusted operating profit[1] by business stream	2021 £'m	2020 (Restated)[2] £'m
TPG Maritime	(2.5)	1.2
TPG Services	2.3	1.0
Central unallocated costs	(1.4)	(1.3)
Adjusted Group operating profit	(1.6)	0.9

1 Numbers presented, both 2021 and 2020, are from continuing operations and exclude Sapienza, Westek and Northstar which were classified as assets held for sale at the balance sheet date

2 The 2020 numbers have been restated for the prior year adjustment – refer below 'TPG Maritime onerous legacy contracts' and to note 32 to these financial statements for further detail

Revenue from continuing operations

Revenue increased to £44.3m (2020: restated £38.7m).

TPG Maritime revenue reduced by £0.3m to £18.5m (2020: restated £18.8m). This small reduction in revenue was primarily due to the material increases in the forecast cost to complete estimates for the onerous legacy contracts partially offset by an increase in lower margin consumable orders. Revenue is recognised on these onerous contracts as a percentage of costs incurred against total forecast costs. The material increases in forecast cost to complete estimates resulted in significantly less revenue (£5.3m) being recognised than was forecast (refer to the 'TPG Maritime onerous legacy contracts' section below for further details).

TPG Services revenue increased by £5.9m to £25.8m (2020: £19.9m). £3.2m relates to the full year effect of Osprey, acquired in August 2020 and the balance of £2.7m is 14% organic growth in TPG's existing consulting business. This organic growth was primarily driven by the Group's established position on long-term framework contracts and programmes.

Gross profit percentage from continuing operations

Gross profit percentage reduced to 16% (2020: restated 22%). This reflects:

- The deterioration in the TPG Maritime business margins in 2021 to 1% (2020: restated 22%). A result of material increases in forecast costs to complete estimates, late delivery charges being accounted for and the recognition of onerous contract provisions for legacy contracts (refer to 'TPG Maritime legacy onerous contracts' section below for further details); and
- A change in product mix, with a higher volume of low margin consumable orders received in 2021; and
- TPG Services margins have increased to 26% (2020: 22%), evidence of the strengthening position the business has on key frameworks and programs.

Financial and Operational Review

CONTINUED

TPG Maritime onerous legacy contracts

At the year end the Board has undertaken a detailed review of TPG Maritime's customer contracts. As a result of this review, and for a number of legacy contracts, forecast cost to complete estimates have materially increased, late delivery charges have been accounted for and onerous contract provisions have had to be recognised for the period ended 31 December 2021. The impact of these adjustments has resulted in £5.3m less revenue and £4.9m less adjusted operating profit being recognised than was forecast.

Furthermore, the Board has also revisited the forecast cost to complete estimates, late delivery charges and onerous contract provisions for the period ended 31 December 2020 and, for three of these contracts, adjustments have been made in respect of the prior period. Management considers this to be a material error in line with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (paragraphs 41-43), and has corrected the prior period in line with the requirements of the standard. The impact of the prior period adjustment is to reduce revenue by £2.2m, increase cost of sales by £0.6m and reduce adjusted operating profit by £2.8m.

For further details of the 2020 prior period adjustment please refer to note 32 of these financial statements.

Adjusted operating profit from continuing operations

The directors believe that adjusted operating profit is more reflective of the underlying performance of the Group than equivalent GAAP measures because it excludes non-recurring exceptional and acquisition costs, non-cash items and is therefore a better proxy for underlying operating cash. 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 and exceptional operating costs. Exceptional 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 2020. Refer below for details of the reconciliation of adjusted operating profit to operating loss.

	2021 £'m	2020 £'m
Operating loss from continuing operations	**-7.5**	-3.3
Depreciation, amortisation and impairment	**3.1**	2.3
Acquisition and disposal-related costs	**0.0**	1.0
Exceptional operating costs	**1.9**	0.3
Acquisition earn-out payments	**0.8**	0.5
Share-based payments	**0.1**	0.1
Adjusted operating (loss)/profit from continuing operations	**(1.6)**	0.9

The restated adjusted operating profit of £0.9m in 2020 reduced to a loss of £1.6m in 2021. As noted in the previous section, the adjusted operating (loss)/profit has been impacted by the adjustments made in relation to the legacy TPG Maritime contracts, both in 2021 and 2020.

Operating loss from continuing operations

The Group's operating loss from continuing operations increased to £7.5m (2020: restated £3.3m). The key movements are as follows:

- Restated adjusted operating profit of £0.9m in 2020 reduced to a loss of £1.6m in 2021 as noted above;
- Depreciation, amortisation and impairment charges increased by £0.8m to £3.1m. The full year effect of the Osprey acquisition accounted for £0.3m of this increase, the balance a combination of impaired development cost of £0.6m partially offset by a reduction in the underlying depreciation in the business;
- Exceptional operating costs increased to £1.9m (2020: £0.3m). The increase included CEO departure costs of £0.7m and corporate defence fees of £0.5m. £0.5m of the £1.9m relates to head office restructuring costs;
- Earn-out costs accrued in year relating to the Osprey acquisition were £0.8m (2020: £0.5m); and
- Acquisition costs reduced to nil from £1.0m in 2020.

Discontinued operations

At the balance sheet date, the directors have applied the principles of IFRS 5, and concluded that Sapienza Consulting Holdings BV & subsidiaries ("Sapienza"), Westek Technologies Ltd ("Westek") and the Group's autonomous navigation technology ("Northstar"), are deemed to be assets held for sale and as such they have been classified as discontinued.

Subsequent to year end:

- The Group completed the disposal of Northstar for cash proceeds of £0.6m on 31 March 2022 to QinetiQ Ltd;
- On the 12 July 2022, the Group announced the disposal of Sapienza to Serco Holdings Ltd (a wholly owned subsidiary of Serco Group plc) for a cash consideration of c.€3.2m. On completion c.£1m of the c.£2m net proceeds was used to part repay the Group's £7m loan facility with HSBC Bank Plc; and
- Discussions remain on-going with potential acquirers of Westek.

The loss from discontinued operations is £11.1m (2020: £9.2m). This includes an impairment charge of £10.6m for the carrying value of goodwill, intangible assets and net assets of each of the three discontinued businesses to the actual or expected proceeds from the sale. Refer to note 3 of these financial statements for further detail.

Statutory loss

The statutory loss in the period was £19.0m (2020: restated £12.8m), including the operating losses from continuing operations of £7.5m (2020: restated £3.3m), as noted above, and a loss from discontinued operations of £11.1m (2020: £9.2m).

Net debt

Year-end Group cash of £5.4m (2020: £7.4m), was lower than the prior year. The key movements included:

- Unwinding of the £0.5m deferred 2020 VAT payment in line with the Government Covid-19 extension;
- Osprey earn-out payments of £0.9m;
- £0.3m invested in business systems, infrastructure and equipment;
- Paydown of lease liabilities £0.6m; and
- Loan arrangement fees, interest payments on bank borrowings and lease liabilities of £0.5m.

The £7m 3-year term loan facility with HSBC Bank, secured in March 2020, was fully drawn at the balance sheet date and so the net debt position, excluding the impact of IFRS 16, of the Group was £1.6m (2020: net cash position of £0.4m). This facility has been subsequently reduced to £6.0m following the disposal of Sapienza on 12 July 2022, with c.£1.0m of the c.£2.0m net disposal proceeds being used to part repay the loan. The loan remained fully drawn at the time of signing the accounts.

In conjunction with Science Group providing a £5m loan facility in December 2021 (refer below for further details), the HSBC Bank loan term was extended to September 2023 and the leverage covenant increased to 3.75 times adjusted operating profit from 2.0 times for the 12-month period through to December 2022. As a consequence, a cash flow covenant for the same period was introduced, which requires the Company to have at least £3m of cash headroom at each month end including any undrawn HSBC Bank or Science Group Plc loan facility. In addition, the loan interest margin was increased to 3%, up from a variable loan interest margin of between 2.25% and 2.75% dependent on the amount of leverage.

Financial and Operational Review

CONTINUED

With LIBOR ceasing to be used as an interest rate benchmark at the end of 2021, the Group transitioned the HSBC Bank loan to use the Sterling Overnight Index Average ("SONIA") as an appropriate alternative. The transition was agreed during the year and was effective from December 2021.

In December 2021, the Group secured a £5m unsecured revolving credit facility with Science Group plc that expires on 30 September 2023. The covenants match those of the HSBC Bank facility with 10% more headroom. Interest is chargeable on any drawn amounts at 12% per annum and any undrawn amounts at 4.8% per annum, subject to SONIA remaining below 1%. A 3% arrangement fee was charged on the facility which can be cancelled at any time with no cancellation fees. The Science Group loan was undrawn at the balance sheet date and, although drawdowns occurred in March 2022 and June 2022, the balance was nil at the time of signing the accounts.

Exceptional operating, earn-out and disposal costs

During the year, the Group incurred one-off exceptional operating, earn-out and disposal costs of £2.7m (2020: £1.8m). These relate to:

- Exceptional operating costs of £1.9m (2020: £0.3m). This includes £0.7m CEO departure costs; £0.5m for corporate defence fees and £0.5m of head office restructuring costs.
- Earn-out costs of £0.8m (2020: £0.5m) relating to the acquisition of Osprey in August 2020. The final earnout payment of £0.2m was made in February 2022.

Finance costs

Finance costs of £0.5m (2020: £0.3m) were incurred in the year, predominantly relating to:

- Interest charges of £0.1m (2020: £0.2m) associated with the capitalisation of leased assets under IFRS 16.
- Finance facility interest charges of £0.2m (2020: £0.1m), most of which related to the HSBC Bank £7m loan.
- Loan arrangement fees of £0.2m (2020: nil), the majority of which was associated with the Science Group plc loan agreed in December 2021.

Taxation

There is a tax credit for the financial year to 31 December 2021 of £0.1m (2020 tax charge of nil). Refer to note 10 of these financial statements for further details.

The Group expects, in total, to receive a small tax refund of c. £0.2m for the financial year 2021, being the R&D tax credits for this period (2020: £0.2m).

Results and dividends

The directors continually evaluate Group performance, and do not currently recommend the payment of a dividend (2020: £nil).

Going concern

As part of the going concern assessment, the directors have considered:

- Various scenarios for the business for the period through to 31 December 2023, including delivery of its base case budget through 2022 and 2023, and downside sensitivities to this budget, as noted below.
- The Group's sources of committed external financing and related covenants.

As noted in the Net Debt note above, the Group's debt facilities at the time of signing these accounts are:

- A £6m HSBC Bank loan facility which was fully drawn at the time of signing these accounts.
- A £5m loan facility secured from Science Group plc in December 2021. The loan was undrawn at the balance sheet date and the balance was nil at the time of signing the accounts.

Both facilities terminate in September 2023. The Board will commence a process in the second half of 2022 to refinance the Group and will consider both debt and equity options.

In addition to its debt facilities, the Company could raise additional equity capital through its listing on the AIM, although is mindful that the ongoing market environment could impact any fundraising potential. The Company is currently able to raise up to 10% of its market capitalisation through an equity placing on a non pre-emptive basis without the need for shareholder approval. Accordingly, the directors believe that the Company would be able to react with reasonable speed in the event it was required to pursue this course of action, subject to market conditions.

The directors regularly review operating performance and cash generation projections for the Group which are based on delivery of the Group's 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 cash budget and cash flow projection has been prepared for 2022 and 2023, covering at least the 12-month period following the signing of the Group accounts. The base case budget provides sufficient liquidity and bank covenant compliance throughout the period. Performance in Q1 of 2022 is in line with the base case budget and provides comfort in the Group's ability to execute on its projections for the year.

The business however continues to navigate through the consequential effects of COVID-19, most notably the challenges in supply chains and logistics, and the onerous legacy TPG Maritime contracts. Furthermore, whilst the Group has no trade or activity in Ukraine or Russia, it is mindful of the impact that the conflict may have on global supply chains and the timing of new business opportunities.

As such, the consequences of the above may further delay the timely execution of both the Group's order book and new order wins which could result in revenue, margins and resulting cash inflows, that are less and/or later than modelled, putting pressure on the Group's cash and covenant position at times. The directors have therefore flexed and stress tested the base case budget to account for various operating scenarios, the outcomes of which include:

- A 20% reduction in revenue;
- A reduction of 6% in the Group's gross margin percentage;
- A deterioration in working capital cash conversion of £2.3m in 2022 and £7.9m in 2023; 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 improving and as a result of the onerous legacy TPG Maritime contracts. All the scenarios take into account the cash and debt facilities currently available to the Company.

The directors have reviewed the Group's overall position and outlook in respect of the matters identified, including the scenarios noted above, and are of the opinion that there are reasonable grounds to believe that the operational and financial projections are achievable, and that the base case budget provides insulation to a plausible downside scenario.

Accordingly, the directors have a reasonable expectation that the Group will have adequate resources to meet its 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 if a more extreme but plausible down-side scenario arises, the Group could breach one or more of its covenants in the 12 month period following approval of the financial statements. In this scenario, the business would be reliant on either securing a waiver from both HSBC Bank and Science Group or securing additional funding/debt headroom. Both HSBC Bank and Science Group have been supportive of the business through to this point and, whilst the Board cannot guarantee a waiver will be forthcoming, would consider it reasonable to conclude that agreement could be reached with the parties. For the avoidance of doubt, Martyn Ratcliffe and Peter Bertram would recuse themselves from discussions with Science Group in relation to their loan facility.

Furthermore, the Company could also look to raise additional capital through either or both, a 10% direct equity placing, as noted above or a wider equity placing that would require shareholder approval. The latter option would take more time but enable the Group to secure more funding than through a 10% direct equity placing. These events and conditions therefore 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.

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 risk or uncertainty cannot be eliminated, certain risk is mitigated, and the business seeks to ensure that it is 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. Risk is managed through three phases in a structured and controlled framework as follows:

Identify and evaluate	• A formal process is in place to identify and manage risks on a continuous basis. • This is reported to the Board and supported by Group Finance through regular risk reviews. • Risks are assessed and prioritised by severity, using a centrally maintained risk register
Action plan in place	• Risk responses and strategies are prepared and managed by the relevant business owners. • The Board reviews, agrees and monitors the risk response plans. • 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. • The continuous review identifies key issues for reporting to the Board.

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 2021.

Group Risk Register

Risk	Impact	Mitigation/risk hedging	Change since last reported
The Group is adversely affected by the commercial conditions in its markets.	Delay or loss of customer contracts, risk to expansion of business.	The Group is diversifying through organic growth and partnering into adjacent markets to reduce our exposure to a single market event.	No change
Revenue generated from defence and space industry contracts are impacted by changes in government policies and legislation.	Possible delay or loss in customer contracts.	Defence and space contracts are with long-term customers with whom we have well-established and close working relationships that provide us with good visibility of future programmes and spend. Defence and space policy, in the UK and Europe, has protected the key programmes on which we are active.	No change
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 accreditation under BS EN ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System). The Group has implemented measures to comply with GDPR, and monitors pending regulations closely.	No change
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 that 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.	No change

Risk	Impact	Mitigation/risk hedging	Change since last reported
Key employee knowledge and skill, upon which key functions or initiatives depend, may be lost.	Ability to deliver growth strategy.	The Group seeks to attract and retain 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. The tightening of the labour market has been mitigated through updated remuneration packages and conditions, coupled with an improved recruitment strategy.	No change
Loss of performance, reliability and availability of certain key assets and information technology systems impacts delivery execution.	Unable to deliver customer contracts - impacts revenue/profit 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 best possible the risk.	No change
Loss of a major customer.	Reduced revenue, profit, cash and reputation.	Focus on operational excellence to avoid loss of customer whilst also expanding the Group's activities with other key accounts to minimise reliance on any single account.	Increasing likelihood of severity of impact
Cybersecurity threats come in a number of forms, posing a risk to sensitive data held in the normal course of business, as well as business interruption risk.	Loss or 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.	No change
Covid-19.	Staff outages/customer driven delays/supplier 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 policies and procedures are well-established across the business including factory sites operations with minimal staff, split shifts if required, working from home, remote customer engagement, etc. Supply chain challenges mitigated through diversification in supply chain.	Decreasing likelihood of severity of impact
Poor execution of material long-term fixed price contracts.	Reduced revenue, profit and cash. Loss of customer.	Subsequent to the change of Board in October 2021, measures taken to ensure new contracts agreed on commercial terms favourable to the business and focus on operational excellence when delivering the contract.	Decreasing likelihood of severity of impact

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 2006.

Each director understands their obligation to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

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.

S172 matters	How the Board responds to the matters	Page reference
Likely consequences of any decision in the long term	• Board strategy discussions and oversight • Effective risk management • Our business model and strategic plan • Key decisions made in period	Chairman's Statement (Page 1), Principal Risks & Uncertainties (Page 8), ESG (Page 12) and Key Decisions Made in Period (Page 11)
The interests of the Company's employees	• COVID-19 support measures • Regular health and safety briefings to the Board • Investment in our employees through training and other initiatives • Performance management system	ESG (Page 12)
The need to foster the Company's relationships with customers, suppliers and others	• Long and well-established relationships with key customers leading to repeat business in all sectors of operation • Company engagement policy and business ethics training • Prompt payment of suppliers • Updating stakeholders on strategic decisions through RNS announcements and other Company communication platforms	ESG (Page 12) and Corporate Governance (Page 18)
The impact of the Company's operations on the community and the environment	• Development of carbon plans for the business • Review and reduction of office requirements • ISO14001 accreditation • Development of the Group's consultancy capabilities in the renewables sector	ESG (Page 12)
The desirability of the Company maintaining a reputation for high standards of business conduct	• Code of Conduct • Business ethics training • Modern Slavery Statement • Management of cyber security risks	ESG (Page 12)
The need to act fairly between members of the Company	• Shareholder engagement practices	Corporate Governance (Page 18), specifically Principle 5 (Page 19)

Key decisions made in the period

During FY2021, TP Group made several decisions about the strategy, structure and future of the business. Among these decisions were four key examples relating to:

- Retention of TPG Maritime
- New Strategy
- Disposal of non-core assets

Retention of TPG Maritime

Whilst TP Group received a number of expressions of interest in 2021 to acquire its Maritime business including non-binding, indicative offers, the Board ultimately decided to withdraw the Maritime business from sale.

New strategy

The Board set its revised strategy on 1st November 2021 to focus on its UK-based Defence and Aerospace operations, through its two divisions TPG Maritime and TPG Services (including Osprey). These businesses historically constituted the majority of the Group's revenue and a greater proportion of the profit contribution. The Board decided that the focus of the Company's limited resource and time should be directed at these two operating units.

Disposal of non-core assets

The Board reviewed the operations of Sapienza, Westek and the Northstar autonomous navigation software, and concluded that they were non-core. Following this review, it was agreed to pursue a disposal strategy for these operations.

Board changes

There were a number of Board changes during 2021. Phil Cartmell resigned as CEO on 30 June 2021 and David Lindsay was appointed as CEO, initially on an interim basis before formally joining the Board on 6 August 2021. David subsequently resigned as CEO on 31 March 2022 and took up a position as Non-executive Director with effect from 1 April 2022. Following the investment by Science Group in August 2021, the Board was restructured in October 2021 with the resignations of Andrew McCree and Jeremy Warner-Allen on 30 September 2021 and the appointments of Peter Bertram and Martyn Ratcliffe to the Board on 14 October 2021. Phil Holland became Non-executive Chairman at this time. Phil Holland stepped down from the Board on 29 October 2021 with Martyn Ratcliffe appointed Chairman on 1 November 2021 following the departure of Phil Holland. Following these changes, the new Board undertook reviews of the business operations and the Group strategy.

Environment, Social and Governance

Environment

TP Group is committed to understanding and reducing its impact on the environment while future-proofing the business. The Group is at an early stage in this process and other priorities have taken precedence during the year. Even so, carbon reduction plans are in place for TPG Services and work is underway to identify and understand emissions across the rest of the Group, and to put steps in place to help mitigate these including new policies around waste management.

Greener offices

In 2021, the Company reviewed its office requirements and reduced its office space through the closure of the Reading office and one of the Farnborough offices. Sustainability and accessibility were contributing factors to relocate the Bristol office to the Bristol and Bath Science Park where the building, and its site, are environmentally accredited.

The Group has limited scope for renewable energy generation as premises are leased. In Q2 2022, it is anticipated to increase the use of UK generated power from certified renewable sources.

Eliminating carbon from transport

The Company invested in technology, improving online working and meetings, and training for managers. TP Group also offer a Cycle to Work Scheme to encourage employees to use a more sustainable form of commuting.

ISO 14001

A number of the Company's 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.

Social

TP Group's core values support an environment that is inclusive and supportive whilst encouraging openness, trust, inclusivity and innovation.

TP Group's people offer skills and experience that are critical to its long-term business success. The Company is committed to the upskilling and development of its staff covering personal development, graduate development programmes, access to apprenticeships and training (SAFe Training). The Company is a member of the 5% Club, which is a dynamic movement of employers committed to learning as part of building and developing the workforce they need.

Key activities in 2021 included:

- Development and roll out of the Consultant Toolkit to support first-time consultants and the required transition of skills;
- Workshops to support managers overseeing remote workers and teams; and
- Framework development for an early careers programme to help build well-rounded leaders of the future.

In 2022, the Company will be progressing a Performance Management System to enable a more structured system for quarterly employee reviews and their ongoing development.

Disability Confident Employer

TP Group is a member 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. Annually the Company celebrates #PurpleLightUp Day which highlights the importance of the 386 million disabled employees around the world.

Equal opportunity

TP Group is proud to provide an inclusive working environment, supporting employee retention and progression. The Company conducts regular pay reviews and audits and has positive action schemes in place to address under-representation in certain pay grades.

The Company is fully committed to the elimination of unlawful and unfair discrimination, and will not discriminate because of disability, gender, sexual orientation, marriage and civil partnership, pregnancy and maternity, race (which includes colour, nationality and ethnic or national origins), religion or belief.

A Gender Survey was sent out in Autumn 2021 across TPG Services and working groups have been set up to support equality, diversity and inclusion within the business.

Health and wellbeing

TP Group is committed to supporting the health and welfare of all employees in the workplace, including those with mental health problems.

Over the last two years, COVID-19 has brought new challenges for people and their families. The Company provided support to employees over this period and developed tools on Horizon, the HR portal, as well as delivering well-received webinars.

Safety at work

The work environment is constantly changing so the Company regularly reviews how it operates to ensure it is the safest it can be. At all levels, the Company manages the risk to help prevent injury and cases of work-related illnesses. As part of this, a complete review of safety practices has been undertaken across the engineering business during Q4 2021/Q1 2022 and, where any potential issues were identified, a plan to improve/eliminate these is being implemented by local management.

Building relationships

TP Group builds and develops relationships between the business, its people and the local communities in which it operates, focused on partnering with those organisations or initiatives that have impact and meaning to the business and its employees. This includes:

- The armed forces – supporting active service personnel, veterans and their families. The Company is a member of the Armed Forces Covenant and pledges to be an armed forces friendly employer;
- Education and skills – inspiring young people to consider science, technology, engineering and mathematics (STEM) subjects and careers through a UK STEM Programme set up in 2021; the Company's apprenticeship scheme; and as a member of the industry-led 5% Club; and
- Supporting the local communities - supporting various initiatives within the areas that the Company operates including sponsoring youth activities and community projects.

Governance

TP Group's success depends on it being trusted by all its stakeholders. The Company seeks to drive the right behaviours by forging a culture based on respect and responsible business practices – a culture that supports its people in making ethical decisions.

The Company has clear policies and principles that are embedded in the business through its key business functions including health and safety, people management, environment and supply chain management.

Empowering the right ethical decisions

In order to protect the Company and reduce risks, it has set out the TP Group Code of Conduct on how it should conduct business. Compliance with this policy is compulsory for its employees and supply chain (or they must have equivalent standards and procedures in their own businesses). The Company has policies and training around anti-bribery, and anti-harassment and bullying. The Company's training actively encourages employees to speak out if they need guidance. It has a whistleblowing policy which means employees can raise issues or seek guidance in person and in confidence.

Supply chain due diligence

TP Group expects high standards of commercial confidentiality from its suppliers, as the protection of highly sensitive information is important to the Group and its customers. Before suppliers are selected, checks are undertaken to make sure they are appropriate and able to meet the Group's high standards for the framework/tasking.

Prompt payment

The Company understands the importance of timely payments when operating a business and encourage good practice across the Group. The Group's standard payment terms are 30 days.

COVID-19 supply risk

During the COVID-19 pandemic the Company has worked closely with its supply chain to determine and help mitigate the impact of COVID-19 on its business. It maintains an open channel of communication with its suppliers to make sure that any impacts can be identified and steps put in place to manage these.

Management of cybersecurity risks

TP Group is committed to improve its infrastructure security as a continuous programme. The Company has adopted and achieved the required technical standards and best practice for appropriate cybersecurity controls and holds the UK Government Cyber Essentials and Cyber Essentials Plus accreditations. The Company complies with the Ministry of Defence ("MOD") 'CyberSecurity Model' (Moderate level), and all TP Group's IT Networks are registered on the UK MOD Defence Accreditation Registration Tool (DART).

The Company has put measures in place to mitigate and manage cybersecurity risks within its supply chain – actively engaging to identify and build resilience against cybersecurity risks.

In late 2021, TP Group commenced a programme to create a more secure and compliant electronic environment, moving from Microsoft E1 to E5 licensing. This investment reflects the level of classified work it carries out for the MOD and other major customers, and the need to apply accurate levels of protection to safeguard the sensitive data which it handles.

Modern slavery and human rights

TP Group recognises its responsibility for protecting the human rights of its employees and those they work with across the world. As part of its commitment to the highest ethical practice, the Company continues to review and strengthen its approach to human rights issues, including modern slavery, across its operations and supply chain.

The Company statements can be viewed at www.tpgroupglobal.com/modern-slavery-act.

Approved for and on behalf of the Board.

Derren Stroud
Director

24 August 2022

Governance

Board of Directors

The Board consists of the following directors:

Martyn Ratcliffe
Chairman

Martyn Ratcliffe was appointed to the Board on 14 October 2021 and became Chairman of TP Group on 1 November 2021. He has been the Chairman of Science Group plc, which is TP Group's largest shareholder, since 15 April 2010. He was Chairman of Microgen plc from 1998 to 2016 and Chairman of RM plc from 2011 to 2013. He was previously Senior Vice President of Dell Computer Corporation, responsible for EMEA.

Derren Stroud
Chief Financial Officer and Company Secretary

Derren Stroud was appointed to the Board in March 2016. He is a member of the Chartered Institute of Management Accountants, and has over 20 years of industry experience, including senior finance roles at Retail Decisions, Envox and Safenet. He has worked within a range of specialist innovation and engineering businesses, with both public and private equity backing, serving a global customer base from manufacturing and commercial sites worldwide. Mr Stroud was additionally appointed to the role of Company Secretary on 1 May 2022.

David Lindsay
Non-executive Director

David Lindsay was appointed to the Board on 6 August 2021 as TP Group's Chief Executive. He became a Non-executive Director on 1 April 2022. He has over 35 years' industry experience gained in senior UK and international roles including the EDM Group Ltd, Initial Plc, Collins Stewart Plc, Bezier Plc and AEA Technology Plc. Mr Lindsay is a Chartered Accountant and a Qualified Corporate Treasurer.

Peter Bertram
Non-executive Director

A R

Peter Bertram was appointed Non-executive Director of TP Group on 14th October 2021 and has chaired the Audit Committee and the Remuneration Committee since appointment. He has been a Non-executive Director of Science Group plc since 17th June 2020. He was Chairman of Manolete Partners plc from 2018 until 2021 and has previously held a variety of other non-executive Board positions including Low & Bonar plc, Alphameric plc, Anite plc, Microgen plc, Phoenix IT Group plc and Psion plc. He was previously CEO of Azlan Group plc. Mr Bertram is a Chartered Accountant.

Key

A Chair of Audit Committee

R Chair of Remuneration Committee

Directors' Report

The directors present their Annual Report together with consolidated financial statements and an Independent Auditors Report for the year ended 31 December 2021.

Principal activities

TP Group is a consulting and engineering business, working to deliver mission, business and safety critical services and solutions across high growth sectors including Defence and Aerospace. As at 31 December 2020, the Group consisted of three business segments operating across the aerospace, defence and energy sectors. Following the investment by Science Group in 2021, the strategy was revised resulting in the Group focusing its activities across two business segments, TPG Services and TPG Maritime.

Review of the business and future development

The Chairman's Statement and Financial and Operational Review provide a review of the Group's business performance during the year, its strategy and likely future developments.

Events since the reporting date

Events since the reporting date are disclosed in note 33 to the financial statements.

Dividends

The directors do not recommend the payment of a dividend (2020: £nil).

Research and development

The Group incurs expenditure on research and development both on behalf of customers and its own ventures. Research and development expenditure in the year is noted on page 57.

Going concern

The Group's financial statements have been prepared on the going concern basis. Refer to the Going Concern statement in the Financial and Operational Review and note 2 to the Financial Statements for further details.

Business relationships

Information on the fostering of business relationships with suppliers, customers and other stakeholders is included in the Section 172 statement on page 10.

Capital structure

Details of the issued share capital, together with details of the movements therein are set out in note 25 to the financial statements. The Company has one class of ordinary shares, each of which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

Environment

The Company is required to disclose its UK energy use and associated greenhouse gas emissions under the Streamlined Energy and Carbon Reporting ("SECR") Regulations, which came into force on 1 April 2019.

TP Group plc has taken advantage of the exemption available 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.

Financial instruments and risk management

Disclosures regarding financial instruments are provided in note 23 to the financial statements.

Directors' Report
CONTINUED

Substantial shareholdings

As at 28 July 2022, the Group had been notified of the following interests of shareholders in excess of 3%:

Shareholder	No. of shares	%
Science Group plc	217,923,105	27.97%
M&G Investment Management Limited	146,309,150	18.78%
Canaccord Genuity Wealth Management	91,180,000	11.70%
Interactive Investor (EO)	52,990,448	6.80%
Hargreaves Lansdown Asset Management Ltd	49,934,276	6.41%
Killik Asset Management	44,865,910	5.76%

Related party transactions

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

Directors

Biographies of current directors are set on page 14.

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

Executive

D Lindsay (appointed 6 August 2021, resigned 31 March 2022)

D Stroud

P Cartmell (resigned 30 June 2021)

M Ratcliffe (appointed as Non-executive Director on 14 October 2021 and Chairman on 1 November 2021)

Non-executive

P Bertram (appointed 14 October 2021)

D Lindsay (appointed 1 April 2022)

P Holland (resigned 30 October 2021)

A McCree (resigned 1 October 2021)

J Warner-Allen (resigned 1 October 2021)

Directors' interests in the shares are shown in the Remuneration Report on page 25.

Directors' insurance

The Group has purchased liability insurance covering the directors and officers of the Parent Company and its subsidiaries. This remains in place at the date of this report.

Directors' indemnities

The Company entered into a Deed of Indemnity with each of the directors which indemnifies the director against all liabilities which the director may suffer or incur arising out of or in connection his role. Each director indemnity is capped at two million and fifty thousand pounds sterling (£2,050,000) and excludes any liabilities associated with criminal or fraudulent acts.

Auditor

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

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

Approved for and on behalf of the Board.

Derren Stroud

Company Secretary
Cale House
Station Road
Wincanton
BA9 9FE

24 August 2022

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 UK adopted 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 UK adopted 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 UK adopted International Accounting Standards in Conformity with the requirements of the Companies Act 2006; and
- 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 quoted 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"), the Group has continued to review its governance procedures to ensure that it is able to institute good governance insofar as it is practical and appropriate for an organisation of its 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 10 key principles are summarised below, and further details can be found at www.tpgroupglobal.com/wp-content/uploads/2022/07/QCA-Statements-for-website-2022-.pdf

Principle 1:

Establish a strategy and business model which promote long-term value for shareholders

The Group strategy and operations were reviewed following the Board changes in October 2021. The revised business strategy was communicated to the market 1 November 2021 and clearly defined that the business was to focus on its UK based Defence and Aerospace operations, with non-core assets to be disposed of. Furthermore, the Group had already commenced prior to this, a significant cost reduction programme to substantially reduce head office overhead costs and office facilities. This streamlining of the organisation structure placed clearer responsibilities into the Company operations.

As a result of the restructuring, TP Group comprises two divisions: TPG Services and TPG Maritime. These two divisions historically constituted approximately 70% of the Group's revenue, with the balance coming from the non-core assets comprising Sapienza, Northstar, and Westek.

Subsequent to the 1 November 2021, the Board's priority has been to resolve the onerous TPG Maritime contracts and address the short-term cash flow pressures, so as to establish a solid foundation from which to grow the business. As noted in the Chairman's statement this will take some time to resolve and only at that point can the Board start to implement a medium to longer term strategy. Two of the non-core assets, Sapienza and Northstar, have been disposed of.

Principle 2:

Seek to understand and meet shareholder needs and expectations

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

Despite the COVID-19 restrictions in place during the reporting period, we have been able to hold regular meetings with key shareholders primarily coinciding with half-year and end-year updates. Our 2021 AGM was held with a restricted number of attendees, with those not able to attend invited to ask questions via email in line with guidance from the FCA and our advisors. Our 2022 AGM, held on 28 June 2022, was open to all shareholders to attend, the voting results of which can be found on the website at: www.tpgroupglobal.com/wp-content/uploads/2022/06/AGM-Results-2022.pdf

Principle 3:

Take into account wider stakeholder and social responsibilities and their implications for long-term success

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.

Please also refer to the Environment, Social and Governance section of the report on pages 12 to 13 and the Statement of Compliance with the QCA Corporate Governance Code on the website (www.tpgroupglobal.com/wp-content/uploads/2022/07/QCA-Statements-for-website-2022-.pdf) for further details.

Principle 4:

Embed effective risk management, considering both opportunities and threats, throughout the organisation

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;
- A more detailed and robust monthly review of major contract activities following the issues identified at the end of 2021 in regards to the TPG Maritime contract review process;
- Central control over key areas such as material capital expenditure and banking facilities; 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; and
- A clearly documented and enforced approval process covering matters such as capital and operational expenditure, recruitment, tendering, commercial terms, and contract acceptance. This process has been updated and recommunicated in light of the TPG Maritime legacy contract issues.

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, whilst also having regard to its size and the resources available.

Principle 5:

Maintaining the Board as a well-functioning, balanced team led by the Chair

The Board comprises the Chairman, two Non-executive Directors and an Executive Director, who between them, as noted in the biographies, provide a broad range of skills and experience in their respective roles and joint overall responsibility.

All directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. Where any Board member believes there may be a conflict of interest, specifically those directors (Martyn Ratcliffe and Peter Bertram) on the Science Group Board, the director can recuse themself from a decision, as is recently evidenced:

- In December 2021 Martyn Ratcliffe and Peter Bertram recused themselves from all dealings, negotiations and decisions in relation to the Science Group plc loan facility.
- In May 2022 Martyn Ratcliffe and Peter Bertram recused themselves from the ongoing discussions, negotiations and final decision to dispose of Sapienza.

The Board considers, after careful review, that the Board is sufficiently independent but continues to evaluate the Board composition. Where necessary, sub-committees of the main Board have been established to ensure that this independence can be delivered and there are no potential conflicts of interest.

The directors are committed to fulfilling their roles. In addition to Board meetings, established meetings are in place to support business operations and programmes. 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.

All directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. The Board members service contracts and letters of appointment are available for inspection at the Company's registered office and at the Annual General Meeting ("AGM").

Training on matters related to their respective roles is available if required, to all directors. Directors are subject to re-election in accordance with the Company Articles.

Corporate Governance Report

CONTINUED

During 2021, nine formal, scheduled Board meetings took place, and all members attended all meetings they were invited to (see table below). Numerous ad hoc and informal meetings were held.

	Board	Audit Committee	Remuneration Committee
M Ratcliffe	7/7	n/a	1/1
D Stroud	13/13	2/2	n/a
D Lindsay	9/9	1/1	n/a
P Bertram	7/7	n/a	1/1
P Cartmell	3/3	1/1	n/a
A McCree	6/6	2/2	2/2
P Holland	7/7	2/2	2/2
J Warner-Allen	6/6	2/2	2/2

D Stroud, P Cartmell and D Lindsay attended the Audit Committee meetings by invitation.

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.

Subsequent to the Board changes in October, action has been taken to review and amend amongst other things, financial processes, employee remuneration, the commercial approach to future customer engagement and the financial stability of the Company. A number of these reviews were in response to the onerous TPG Maritime contracts, but also application of appropriate governance by the new Board. Where required, the Board will take, and has taken, external advice.

Principle 7:

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Given the nature of the Board changes in 2021 and revised strategy including disposal of non-core assets, the Board will be reviewing its performance during 2022.

Principle 8:

Promote a culture that is based on ethical values and behaviours

The Group has in place a Code of Conduct and a set of Core Values which together aim to promote an ethical culture across the business.

For further detail, please refer to the Statement of Compliance with the QCA Corporate Governance Code on the website (www.tpgroupglobal.com/wp-content/uploads/2022/07/QCA-Statements-for-website-2022-.pdf).

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 two business streams, their annual budgets and their performance in relation to those budgets.

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

- Overall Group strategy;
- Approval of major investments (whether capital expenditure or operating expense);
- Approval of the annual and interim results;
- Setting of the annual budget;
- Approval of major contracts;
- Review of external announcements and reporting; and
- 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 their overall trading;
- Operational and financial performance;
- Management of key risks; and
- Implementation of the 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.

All directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. Where any Board member believes there may be a conflict in interest, specifically those directors on the Science Group Board, the director can recuse themselves from decisions, examples of which are disclosed in principle 5.

Principle 10:

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company communicates with shareholders through the Annual Report, 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.

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

Audit Committee Report

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 the two Non-executive Directors and is chaired by Peter Bertram. The Committee has specific terms of reference that deal with its authority and duties.

The biographies of the members of the Committee can be found on page 14 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.

During the year, the Committee met two times and invited the 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.

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.
- Report 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 2021 included the following:

- Consideration of the COVID-19 pandemic and its ongoing impact on the Group's activities. 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 ongoing 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.

- A review of material contracts in TPG Maritime and the level of provisions, specifically against onerous and delayed contracts, required to complete each contract. For further details of the key sources of estimation, please refer to note 2.1 of the financial statements, 'assessment of the percentage completion of long-term contracts'.
- 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 Westek, Sapienza and Northstar (the Group's autonomous artificial intelligence technology) prior to the year-end. The Committee reviewed the level of interest expressed in these businesses and the consideration and response to this by the Parent Company. The Committee concluded it was correct that each of these businesses should be classified as an asset 'held for sale' at the balance sheet date and the operations of the business to be reported as discontinued through the profit and loss.
- 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. 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, albeit a material uncertainly was noted in relation to a plausible downside scenario where one or more of the Company's bank covenants could be breached and further funding would be required. Refer to the CFO's Report or Accounting Policies for further details of the going concern assessment.
- 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 Finance and Operational Review includes a review of going concern.

On behalf of the Board

Peter Bertram

Chairman, Audit Committee

24 August 2022

Remuneration Committee Report

Remuneration Committee

The Remuneration Committee, as of 24 August 2022, is made up of the two Non-executive Directors and is chaired by Peter Bertram. Meetings are attended by other members of the Board by invitation.

The Remuneration Committee sets and annually reviews the terms and conditions of employment of the Executive Directors. The remuneration on 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 share option scheme expired at the end of 2020 and the Committee is currently reviewing the implementation of a new scheme in 2022.

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. 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 appointed prior to 2021 have been employed on service contracts with 12-month notice periods that extends to 24-months in the event of a change of control of the Parent Company. Non-executive Directors are appointed on three-year letters of appointment, with a three-month notice period.

Directors' emoluments

	Basic salary or fees £'000	Compensation for loss of office £'000	Pension contributions £'000	Other benefits £'000	**Total emoluments (2021) £'000**	Total emoluments (2020) £'000
Executive						
P Cartmell *	180	428	5	28	**641**	428
D Stroud	213	–	22	14	**249**	256
David Lindsay *	145	169	–	2	**316**	–
Non-executive						
A McCree*	53	35	–	–	**88**	70
P Holland*	31	–	–	–	**31**	39
J Warner-Allen*	28	9	–	–	**37**	39
M Ratcliffe*	–	–	–	–	**–**	–
P Bertram*	–	–	–	–	**–**	–
	650	641	27	44	**1,362**	832

1 P Cartmell resigned as Executive Director on 30 June 2021 and was the highest paid director in the period
2 David Lindsay was appointed as Executive Director on 6 August 2021, resigned on 31 March 2022 and was appointed as Non-executive Director on 1 April 2022.
3 Martyn Ratcliffe was appointed Non-executive Director on 14 October 2021 and Chairman on 1 November 2021. He waived remuneration for 2021.
4 Andrew McCree resigned as Non-executive Chairman on 30 September 2021.
5 Phil Holland resigned as Non-executive Chairman on 29 October 2021.
6 Jeremy Warner-Allen resigned as Non-executive Director on 30 September 2021.
7 Peter Bertram was appointed as Non-executive Director on 14 October 2021 and waived remuneration for 2021.

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 2021 and 31 December 2020 were:

	As at 31 December 2020 number	Exercised in year number	Lapsed in year number	Cancelled in year number	As at 31 December 2021 number	Exercise price pence	Lapse date
Executive							
P Cartmell	9,505,456	–	(6,336,971)	(3,168,485)	–	7.00	09-May-27
D Stroud	4,277,455	–	(2,851,637)		1,425,818	7.00	09-May-27
Non-executive							
A McCree	250,000	–	–	(250,000)	–	10.00	30-Sep-24

The closing mid-market price of an Ordinary Share as quoted on the Daily Official List as published by the London Stock Exchange was 4.70p at 31 December 2021. In the period 1 January 2021 to 31 December 2021 the closing mid-market high was 7.30p per Ordinary Share and low was 3.18p per Ordinary Share.

Directors' interests

The directors who were in office at the end of 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 2021, at 31 December 2020 and at the date of this report:

	Number held at 31 December 2021 Ordinary Shares of 1 pence each	Number held at 24 August 2022 Ordinary Shares of 1 pence each	Number held at 31 December 2020 Ordinary Shares of 1 pence each
D Lindsay	2,600,000	2,600,000	0
D Stroud	653,847	653,847	653,847
M Ratcliffe	0	0	0
P Bertram	0	0	0

Martyn Ratcliffe is the largest shareholder in Science Group plc with 20.73%. Science Group plc is the largest shareholder in TP Group plc with a shareholding of 27.97%.

On behalf of the Remuneration Committee

Peter Bertram

Chairman, Remuneration Committee

24 August 2022

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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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 2021 which comprise the Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of financial position, the Consolidated and Parent Company statements 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 UK adopted international accounting standards. 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 relating to going concern

We draw attention to note 2 to the financial statements which indicate the Directors' considerations over going concern, including that a plausible down-side scenario arising on current forecasts may result in a breach of debt covenants and that the current debt facilities terminate in September 2023. As stated in note 2, these events or conditions, along with other matters as set out in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We considered the audit of going concern to be a key audit matter based on our assessment of the risk and the impact on our audit. Our response to the key audit matter and our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the Directors' method for assessing going concern, including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and where relevant consistent with each other;
- reviewing the Directors' stress-testing of the forecasts to the extent of reasonably plausible downside scenarios using our knowledge of the business;
- assessing the underlying forecast model and the Directors' historical forecast accuracy, including an assessment of Q1 2022 actuals against forecast;
- challenging the order book and pipeline through agreement to underlying support and enquiries of management outside of the finance team and through our knowledge of business and market conditions;
- assessing the terms and period of the Group's bank and other facility agreements and considered the ability of the Group to refinance when required;
- considering the Group's banking covenants and related headroom in light of the Directors' downside forecast scenarios;
- reviewing the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosures with the forecasts and reverse stress test assessment prepared by the Directors.

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.

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

		2021	2020
Coverage	100% (2020: 98%) of Group loss before tax		
	100% (2020: 99%) of Group revenue		
	95% (2020: 98%) of Group total assets		
Key audit matters	Revenue recognition – long term contracts	✓	✓
	Impairment of goodwill		✓
	Presentation of TPG Maritime as a continuing operation, along with the presentation of other discontinued operations during the year		✓
	Going concern	✓	✓
	Impairment of goodwill is no longer considered to be a key audit matter due to impairment recognised in previous accounting periods and impairment in the year being supported by subsequent disposal price of assets classified as held for sale.		
	Presentation of TPG Maritime as a continuing operation, along with the presentation of other discontinued operations during the year is no longer considered to be a key audit matter because of the decisions taken by the group to continue the Maritime business and the actions taken post year end to dispose of those assets held for sale giving greater certainty over the classification.		
Materiality	Group financial statements as a whole		
	£530,000 (2020: £700,000) based on 1.2% (2020: 1.2%) of revenue		

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 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, Sapienza Consulting Limited and Sapienza Consulting B.V. With the exception of Sapienza Consulting B.V., all significant components were subject to full scope audits conducted by the Group audit team. Sapienza Consulting B.V. was audited by a component auditor under instruction from the Group audit team. Non-significant components were subject to either specified procedures or desktop review carried out by the Group audit team.

Our involvement with component auditors

For the work performed by component auditors on Sapienza Consulting B.V., 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. The component auditors are not part of the BDO network of firms. Our involvement with component auditors included the following:

- Group audit instructions were issued to the component auditor detailing materiality, significant accounting and auditing issues, including significant risks identified by the group team, and the 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 were reviewed in detail by the Group audit team as their work progressed and at its conclusion.
- The Group audit team attended close meetings with the component auditor and component and group management.

Independent Auditor’s Report

TO THE MEMBERS OF TP GROUP PLC CONTINUED

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 of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition – long term contracts The accounting policy for revenue is disclosed in note 2.4 of the consolidated financial statements. The judgements and estimates related to the assessment of the percentage of completion of long-term contracts are disclosed in note 2.1. A prior period adjustment relating to revenue recognition on long term contracts is disclosed in note 32.	The Group generates substantial revenue from the design and manufacture of high integrity equipment. Contracts relating to this usually extend several years, are complex, and contain exposure to terms that may apply penalties or otherwise vary consideration due. Determining costs to complete and the value of any variable consideration, including any liquidated damages, are key judgements and estimates required in order to correctly recognise revenue in line with IFRS 15 - Revenue from Contracts with Customers. The high degree of estimation uncertainty surrounding forecast costs to complete leads to a range of possible outcomes. The Directors are required to estimate forecast costs to complete and judgement is required to determine whether those estimates are appropriate.	As part of our audit procedures we: • Identified the Group's revenue streams and determined whether the related revenue recognition policy is in accordance with IFRS 15. • Reviewed management's revenue recognition accounting papers for a sample of long-term contracts and agreed these to underlying contract agreements and corroborating evidence. • 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 on which to base the stage of completion. • Considered costs to complete estimates for reasonableness through discussion with project managers, management and the board, and challenged the assumptions used to forecast future costs. This included a critical assessment of project costing and forecasting models against contract deliverables and past performance and understanding management’s review process to check that estimates made are appropriate, • Reviewed the Directors’ disclosure in note 2.1 of the estimation uncertainty related to the assessment of the percentage of completion of long-term contracts. We verified the accuracy of the sensitivities, in respect of the costs to complete estimation uncertainty, of the contract disclosed. We reviewed the Directors assessment of the ability of Management to accurately estimate the costs to completion in respect of that contract including agreeing to corroborating evidence.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition – long term contracts (continued)	The challenges described above mean the existence and accuracy of revenue recognised on long term contracts has been identified as a key area of focus for our audit. A prior period adjustment relating to revenue recognition was identified by management in the period. The directors found that forecast costs to complete estimates were understated and contractual transaction prices were overstated resulting in an overstatement of contract revenue recognised to-date at 31 December 2020. The correction of the prior period error in respect of revenue recognition and the related disclosures have also been a key area of focus for our audit.	• Challenged management's forecast costs by performing a review of historical forecasting accuracy on sampled contracts. Where contracts are onerous, checking appropriate provisions and disclosures are made. • Considered the accounting treatment of any modifications made on the sample of contracts reviewed. • Assessed the treatment of liquidated damages, or similar contract terms, for the sample of contracts reviewed to determine whether any required constraint of variable consideration had been applied. • Assessed the recoverability of a sample of contract assets through a review of the subsequent billing and cash receipt, as well as contract asset existence by agreeing their recognition to the terms of the contract and the satisfaction of performance obligations to the year end. • For a sample of contracts, we recalculated the contract liabilities with reference to revenue recognition and amounts invoiced and tested that contract liabilities had been appropriately accounted for. • Reviewed the underlying support for the prior period adjustment, agreeing to supporting documents such as customer contracts, technical specifications, purchase orders, supplier invoices, customer and supplier communications and confirmed the correct application of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). • Reviewed the disclosures relating to revenue, estimation uncertainty of long-term contracts and the prior period adjustment, to check that they were in accordance with the requirements of the applicable accounting standards and adequately reflected any judgements, uncertainties and sensitivities applied. **Key observations:** We found that revenue, including the correction of the prior period adjustment, was recorded appropriately, and that the treatment of the variable consideration, including liquidated damages, and the estimates and judgements used in the forecast costs to complete were appropriate. We consider the disclosures in the financial statements appropriately describe the uncertainty attaching to forecast costs to complete estimates. We consider the disclosures in the financial statements in respect of the prior period adjustment to be appropriate.

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.

Independent Auditor's Report

TO THE MEMBERS OF TP GROUP PLC CONTINUED

Our application of materiality (CONTINUED)

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	
	2021	2020	**2021**	2020
Materiality	£530,000	£700,000	£360,000	£350,000
Basis for determining materiality	1.2% of revenue	1.2% of revenue	1.2% of total assets	1.2% of total assets
Rationale for the benchmark applied	Revenue is considered to be the most appropriate performance measure as the group is loss making and revenue is a key performance indicator for the users of the financial statements.		Total assets are considered to be the most appropriate measure as the Company is a holding company that does not trade.	
Performance materiality	£400,000	£490,000	£270,000	£245,000
Basis for determining performance materiality	75% (2020: 70%) of overall materiality based upon: • Locations and components within the group; • Expected level of misstatements; • Number of areas subject to estimation; and • Aggregation effect of planned testing. Performance materiality has increased from the prior period given our increased knowledge of the group.		75% (2020: 70%) of overall materiality based upon: • Expected value of any required audit adjustments; • Number of areas subject to estimation; and • Aggregation effect of planned testing. Performance materiality has increased from the prior period given our increased knowledge of the company.	

Component materiality

We set materiality for each component of the Group based on a percentage of between 23% and 79% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £123,000 to £420,000. In the audit of each component, we further applied performance materiality levels of 75% 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 £15,900 (2020: £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 and Financial Statements 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.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In 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.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

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.

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:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- Obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations generally recognised to have a direct effect on the financial statements or that had a fundamental effect on the operations of the Group, namely:
  - UK Companies Act 2006
  - The applicable accounting framework
  - The Official Secrets Act
  - Relevant tax legislation

Independent Auditor's Report

TO THE MEMBERS OF TP GROUP PLC CONTINUED

Extent to which the audit was capable of detecting liabilities, including fraud (CONTINUED)

- 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; and
  - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud.
- 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.
- Discussing amongst the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in revenue recognition, specifically in relation to revenue existence, as well as the potential for management override of controls, specifically in relation to the posting of journal adjustments and the inappropriate use of estimates.

Our procedures to respond to risks identified include the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations.
- Performing a detailed review of the Group's year-end adjusting entries.
- Discussion with those charged with governance, review of minutes from Board meetings and review of other supporting documentation to identify any instances of non-compliance with laws and regulations and any known, suspected, or alleged fraud.
- In addressing the risk for fraud in revenue recognition, testing the appropriateness of the revenue recognition policies and the application of these policies and performing specific procedures over the existence of revenue, as further described in the Key audit matters section above.
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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/auditors responsibilities. 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

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 2021

	Note	2021 £'000	2020 (restated) £'000
Revenue from continuing operations	5	44,255	38,673
Cost of sales		(37,350)	(30,167)
Gross profit from continuing operations		6,905	8,506
Administrative expenses		(14,405)	(11,794)
Operating loss from continuing operations[1]	7	(7,500)	(3,288)
Net finance cost	9	(450)	(301)
Loss before taxation from continuing operations		(7,950)	(3,589)
Taxation credit/(charge)	10	59	(9)
Loss after taxation for the year from continuing operations		(7,891)	(3,598)
Loss for the period from discontinued operations (attributable to equity holders of the Company)	3	(11,138)	(9,163)
Loss for the period		(19,029)	(12,761)
Attributable to:			
Equity holders of the Parent Company		(19,029)	(12,761)
Non-controlling interest		–	–
Total loss for the year		(19,029)	(12,761)
Loss for the year		(19,029)	(12,761)
Other comprehensive income/(expense): items that may be subsequently recycled to the income statement:			
Foreign exchange (losses)/gains on translation of foreign operations		(481)	427
Total comprehensive expense for the year		(19,510)	(12,334)
Attributable to:			
Equity holders of the Parent Company		(19,510)	(12,334)
Non-controlling interest		–	–
		(19,510)	(12,334)

The notes on pages 40 to 79 form part of these financial statements.

Note 32 explains the impact of the restatement.

Earnings per share:

		2021	2020 (restated)
Loss per share (pence per share)			
Continuing operations:			
Basic loss per share (pence per share)	11	(1.01)	(0.46)
Diluted loss per share (pence per share)	11	(1.01)	(0.46)
Discontinued operations:			
Basic loss per share (pence per share)	11	(1.43)	(1.18)
Diluted loss per share (pence per share)	11	(1.43)	(1.18)
Total:			
Basic loss per share (pence per share)	11	(2.44)	(1.64)
Diluted loss per share (pence per share)	11	(2.44)	(1.64)

The notes on pages 40 to 79 form part of these financial statements.

[1] Please refer to segment reporting in note 4 for bridge to adjusted operating profits from continuing operations.

Consolidated and Parent Company Statements of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Parent Company	
	Note	2021 £'000	2020 (restated) £'000	2021 £'000	2020 £'000
Assets					
Non-current assets					
Goodwill	12	4,338	8,091	–	–
Other intangible assets	13	7,978	19,633	74	185
Property, plant and equipment	14	591	962	52	116
Right-of-use assets	22	2,485	3,841	58	302
Investments	15	–	–	19,707	33,013
Amounts owed by EBT	27	–	–	–	108
Trade and other receivables	17	–	–	–	3,635
Total non-current assets		15,392	32,527	19,891	37,359
Current assets					
Inventories	16	416	1,417	–	–
Trade and other receivables	17	4,512	10,268	556	1,312
Amounts due from contract customers	5	5,599	7,391	–	–
Taxation recoverable		258	239	–	–
Cash and bank balances	18	5,376	7,372	193	1,557
		16,161	26,687	749	2,869
Assets held for sale	3	8,170	–	6,792	–
Total current assets		24,331	26,687	7,541	2,869
Total assets		39,723	59,214	27,432	40,228
Liabilities					
Current liabilities					
Trade and other payables	21	(11,154)	(14,389)	(6,622)	(3,431)
Amounts due to contract customers	5	(5,173)	(5,554)	–	–
Lease liabilities	22	(424)	(609)	(58)	(116)
		(16,751)	(20,552)	(6,680)	(3,547)
Liabilities held for sale	3	(6,326)	–	(150)	–
Total current liabilities		(23,077)	(20,552)	(6,830)	(3,547)
Non-current liabilities					
Deferred taxation	10	(1,403)	(3,001)	–	–
Lease Liabilities	22	(2,752)	(4,079)	(27)	(207)
Borrowings	19	(7,000)	(7,000)	(7,000)	(7,000)
Provisions	24	(607)	(352)	(20)	(20)
		(11,762)	(14,432)	(7,047)	(7,227)
Total liabilities		(34,839)	(34,984)	(13,877)	(10,774)
Net assets		4,884	24,230	13,555	29,454
Equity					
Share capital	25	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)	–	–
Translation reserve		(90)	415	(129)	–
Share-based payments reserve		553	685	553	685
Retained earnings		(21,901)	(2,631)	(13,190)	2,448
Total equity due to shareholders		4,883	24,229	13,555	29,454
Non-controlling interest		1	1	–	–
Total equity		4,884	24,230	13,555	29,454

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 loss of £15,934,000 (2020: £1,221,000) for the year.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 24 August 2022. The notes on pages 40 to 79 form part of these financial statements.

Derren Stroud
Chief Financial Officer

(Company number: 3152034)

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2021

	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
Balance at 1 January 2020	7,792	18,529	(561)	1,142	(4)	9,140	428	36,466
Loss for the year	–	–	–	–	–	(9,999)	–	(9,999)
Adjustment to prior period (note 32)	–	–	–	–	–	(2,762)	–	(2,762)
Restated loss for the year	–	–	–	–	–	(12,761)	–	(12,761)
Other comprehensive gain	–	–	–	–	427	–	–	427
Restated total comprehensive gain/(loss)	–	–	–	–	427	(12,761)	–	(12,334)
Share-based payments charge (note 26)	–	–	–	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	–	–	–	–	–	427	(427)	–
Restated balance at 31 December 2020	7,792	18,529	(561)	685	415	(2,631)	1	24,230
Loss for the year	–	–	–	–	–	(19,029)	–	(19,029)
Other comprehensive loss	–	–	–	–	(481)	–	–	(481)
Total comprehensive loss	–	–	–	–	(481)	(19,029)	–	(19,510)
Share-based payments charge (note 26)	–	–	–	164	–	–	–	164
Share-based payments reserves transfer	–	–	–	(296)	–	296	–	–
Forex movement	–	–	–	–	(24)	24	–	–
Release on closure of EBT	–	–	561	–	–	(561)	–	–
Balance at 31 December 2021	7,792	18,529	–	553	(90)	(21,901)	1	4,884

The notes on pages 40 to 79 form part of these financial statements.

Parent Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Share premium £'000	Share-based payments reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020	7,792	18,529	1,142	–	672	28,135
Total comprehensive gain as previously stated	–	–	–	–	1,221	1,221
Share-based payments charge	–	–	98	–	–	98
Share-based payments reserves transfer	–	–	(555)	–	555	–
Restated balance at 31 December 2020	7,792	18,529	685	–	2,448	29,454
Total comprehensive loss	–	–	–	(129)	(15,934)	(16,063)
Share-based payments charge (note 26)	–	–	164	–	–	164
Share-based payments reserves transfer	–	–	(296)	–	296	–
Balance at 31 December 2021	7,792	18,529	553	(129)	(13,190)	13,555

The notes on pages 40 to 79 form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 £'000	Group 2020 (restated) £'000
Operating activities			
Loss before taxation from continuing operations		(7,950)	(3,589)
Loss before taxation from discontinued operations		(12,459)	(9,496)
Adjustments for:			
Depreciation, amortisation and impairment		4,918	5,563
Finance cost		512	416
Share-based payment expense		164	98
Impairment loss on held for sale assets		10,572	2,721
(Loss)/profit on disposal of assets		(129)	596
Decrease in inventories		698	483
Decrease in trade and other receivables		1,802	574
Increase in trade and other payables		1,605	2,685
Increase in provisions		421	171
		154	222
Taxation credit		77	189
Net cash generated from operating activities		231	**411**
Investing activities			
Acquisition of subsidiary, net of cash acquired		–	(2,000)
Purchase of property, plant and equipment		(286)	(781)
Purchase of intangible fixed assets		(964)	(1,562)
Disposal of subsidiary, net of cash disposed of		–	(349)
Proceeds on disposal of assets		135	–
Net cash used in investing activities		(1,115)	**(4,692)**
Financing activities			
New borrowings	20	–	7,000
Interest payable		(354)	(313)
Loan arrangement fees		(150)	–
Repayment of lease liabilities	20	(598)	(1,622)
Net cash generated (used in)/generated from financing activities		(1,102)	**5,065**
Effects of exchange rates on cash and cash equivalents		(10)	**20**
Net (decrease)/increase in cash and cash equivalents		(1,996)	**804**
Cash and cash equivalents at beginning of year		7,372	6,568
Cash and cash equivalents at end of year	18	5,376	**7,372**

The notes on pages 40 to 79 form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

TP Group plc (the "Group") together with its subsidiaries, is a consulting and engineering business, working to deliver mission, business and safety critical services and solutions across high growth sectors including Defence and Aerospace.

The Group is incorporated under the Companies Act and domiciled in the United Kingdom. The address of the registered office of the Parent Company is Cale House, Station Road, Wincanton, BA9 9FE. The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange.

Basis of preparation

The consolidated financial statements are measured and presented in sterling, which is the currency of the primary economic environment in which the Group operates. They have been prepared under the historical cost convention, 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. Figures are presented to the nearest thousand pounds, unless otherwise stated.

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

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.

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

New accounting standards and interpretations

New standards and interpretations newly applicable for companies with the financial year ending 31 December 2021 are set out below, together with any noted impact on the Group.

Standard	Impact in year
• Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9	No material impact
• Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases – Interest Rate Benchmark Reform (phase 2)	No material impact
• Amendments to IFRS 16 Leases – Covid-19-Related Rent Concessions beyond 30 June 2021	No material impact

Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 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.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

Going concern

As part of the going concern assessment, the directors have considered:

- Various scenarios for the business for the period through to 31 December 2023, including delivery of its base case budget through 2022 and 2023, and downside sensitivities to this budget, as noted below.
- The Group's sources of committed external financing and related covenants

As noted in the Net Debt note above, the Group's debt facilities at the time of signing these accounts are:

- A £6m HSBC Bank loan facility which was fully drawn at the time of signing these accounts
- A £5m loan facility secured from Science Group plc in December 2021. The loan was undrawn at the balance sheet date and the balance was nil at the time of signing these accounts

Both facilities terminate in September 2023. The Board will commence a process in the second half of 2022 to refinance the Group and will consider both debt and equity options.

In addition to its debt facilities, the Company could raise additional equity capital through its listing on the AIM, although is mindful that the ongoing market environment could impact any fundraising potential. The Company is currently able to raise up to 10% of its market capitalisation through an equity placing on a non-pre-emptive basis without the need for shareholder approval. Accordingly, the directors believe that the Company would be able to react with reasonable speed in the event it was required to pursue this course of action, subject to market conditions.

The directors regularly review operating performance and cash generation projections for the Group which are based on delivery of the Group's 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 2022 and 2023, covering at least the 12-month period following the signing of the Group accounts. The base cash budget provides sufficient liquidity and bank covenant compliance throughout the period. Performance in Q1 of 2022 is in line with the base case budget and provides comfort in the Group's ability to execute on its projections for the year.

The business however continues to navigate through the consequential effects of COVID-19, most notably the challenges in supply chains and logistics, and the legacy onerous TPG Maritime contracts. Furthermore, whilst the Group has no trade or activity in Ukraine or Russia, it is mindful of the impact that the conflict may have on global supply chains and the timing of new business opportunities.

As such, the consequences of the above may further delay the timely execution of both the Group's order book and new order wins which could result in revenue, margins and resulting cash inflows, that are less and/or later than modelled, putting pressure on the Group's cash and covenant position at times. The directors have therefore flexed, and stress tested the base case budget to account for various operating scenarios, the outcomes of which include:

- A 20% reduction in revenue.
- A reduction of 6% in the Group's gross margin percentage.
- A deterioration in working capital cash conversion of £2.3m in 2022 and £7.9m in 2023; 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 improving and as a result of the legacy onerous TPG Maritime contracts. All the scenarios take into account the cash and debt facilities currently available to the Company.

The directors have reviewed the Group's overall position and outlook in respect of the matters identified, including the scenarios noted above, and are of the opinion that there are reasonable grounds to believe that the operational and financial projections are achievable, and that the base case budget provides insulation to a plausible downside scenario. Accordingly, the directors have a reasonable expectation that the Group will have adequate resources to meet its 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 if a more extreme but plausible down-side scenario arises the Group could breach one or more of its covenants in the 12-month period following approval of the financial statements. In this scenario, the business would be reliant on either securing a waiver from both HSBC Bank and Science Group or securing additional funding/debt headroom.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

2. Summary of significant accounting policies (CONTINUED)

Both HSBC Bank and Science Group have been supportive of the business through to this point and, whilst the board cannot guarantee a waiver will be forthcoming, would consider it reasonable to conclude that agreement could be reached with the parties. For the avoidance of doubt, Martyn Ratcliffe and Peter Bertram would recuse themselves from discussions with Science Group in relation to their loan facility.

Furthermore, the Company could also look to raise additional capital through either or both, a 10% direct equity placing, as noted above or a wider equity placing that would require shareholder approval. The latter option would take more time but enable the Group to secure more funding than through a 10% direct equity placing. These events and conditions therefore 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.

2.1 Key accounting judgements 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.

Accounting judgements

Alternative performance measures

The Group uses the alternative (non-Generally Accepted Accounting Practice) performance measure of 'Adjusted operating profit/ (loss)' which is not defined within IFRS. See note 4.

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, acquisition consideration accounted for as employment costs owing to ongoing service conditions, any acquisition-related charges, share-based payment charges and exceptional operating costs.

The directors believe this measure is more reflective of the underlying performance of the Group than equivalent Generally Accepted Accounting Practice ("GAAP") measures because it is excludes non-recurring exceptional and acquisition costs, non-cash items and is therefore a better proxy for underlying operating cash, providing shareholders and other users of the financial statements with the most representative year-on-year comparison of underlying operational performance attributable to shareholders.

This measure and the separate components remain consistent for all periods presented in these financial statements.

Assets held for sale

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 either Westek Technology Limited, Sapienza Consulting Holdings BV (and its subsidiaries) or NorthStar (the Group's autonomous artificial intelligence technology) as a held for sale asset was required at the balance sheet date. Following management's assessment, it was determined that all three met the IFRS 5 held for sale criteria.

Discontinued operations

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'. In particular the IFRS 5 discontinued operation criteria was considered in respect of Westek Technology Limited, Sapienza Consulting Holdings BV (and its subsidiaries) or NorthStar (the Group's autonomous artificial intelligence technology) and whether these cash generating units met the requirements of a separate major business line. Following the assessment, it was considered that all three met the criteria and have been disclosed as discontinued operations.

The determination of incremental borrowing rates used to measure lease liabilities

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.

Impairment of non-current assets

Determining whether intangible assets and goodwill are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets and goodwill have been allocated (see note 12). Investment in subsidiaries is based on the estimation of recoverability based on the value in use calculation of the cash-generating unit invested in (see note 15).

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

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.

Assessment of the percentage of completion of long-term contracts

The Group's revenue recognition policy, which is set out in Note 2.4, requires forecasts to be made of the outcomes of long-term design and manufacture contracts. This requires estimates of labour hours and rates, and material costs to determine forecast costs to completion and therefore revenue recognition on each long-term contract. Where actual costs incurred differ to forecast costs, or where forecast cost estimates change, the assessment of the percentage of completion of long-term contracts will be affected and therefore revenue and profits or losses recognised impacted.

Estimates are reviewed regularly throughout the contract life and adjustments are made based on the latest available information.

As at 31 December 2021, the amounts due from contract customers and amounts due to contract customers and contract provisions amounted to £5,599,000, £5,173,000 and £292,000 respectively as set out in Notes 5 and 24. The Group has considered the nature of the estimates involved in deriving these balances and concluded that it is possible that outcomes within the next financial year may be different from the assumptions applied at 31 December 2021, which could require a material adjustment to revenue and profits or losses recognised and the carrying amounts of the related assets and liabilities in the next financial year.

The Group has identified one particular contract in the TPG Maritime Limited subsidiary company which is more susceptible to future changes in forecast costs to complete estimates. In respect of this contract, the Group has recognised revenue from continuing operations in the year of £1,872,000, together with an amount due to contract customers of £2,912,700. Since contract inception, the Group has recognised revenue totalling £10,012,000. The project, which commenced in 2019, is not scheduled to complete until 2027 which is beyond the Group's normal contract length of 1-3 years. Due to the increased complexity of the project and the extended delivery timeframe, the forecast costs to complete on this contract give rise to an increased level of estimation uncertainty.

The increased level of estimation uncertainty means that final costs could be materially different from the estimates at the balance sheet date. Based on the project status as of 31 December 2021, a 10% change in direct labour hours or material costs to completion from that estimated would give rise to a corresponding £0.3m and £0.2m impact respectively on the loss of the Group.

As at 31 December 2021 the directors estimate that, based on costs incurred to date as a percentage of forecast total costs to complete, the project was 64% complete.

Trade receivables provisioning

Recoverability of trade debtors are reviewed by management at the end of the reporting period. Trade debtors are impaired when specific knowledge of customers suggests it is appropriate to do so.

2.2 Basis of consolidation

The Consolidated Financial Statements include the Company's financial statements and those of its subsidiary undertakings made up to 31 December 2021. 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

2. Summary of significant accounting policies (CONTINUED)

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 de-recognises 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.

2.3 Segment reporting

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, Engineering and Consulting. The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker, which has been identified as the Board of Directors of TP Group plc.

2.4 Revenue

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

The Group determines the transaction price 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. Where the amount of consideration is variable (e.g., due to trade discounts, late delivery penalties and other similar items) the Group includes the variable consideration in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The Group recognises revenue when it transfers control of a product or service to a customer as more fully explained below.

Design and manufacture 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.

– Over time revenue recognition

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.

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 contracts where the Group becomes entitled to invoice customers based on achieving a series of performance-related milestones, at the point a customer is invoiced, any amount previously recognised as amounts due from contract customers is reclassified to trade receivables. 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.

– Point in time revenue recognition

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.

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.

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

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

2. Summary of significant 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

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 over time, 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 standalone selling prices. The standalone selling price for each of the performance obligations 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 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.

2.5 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.

2.6 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 that intend to settle simultaneously.

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.

2.7 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

2. Summary of significant accounting policies (CONTINUED)

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.

2.8 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 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.

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 ongoing impact of COVID-19 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.

2.9 Business combinations and goodwill

The acquisition method of accounting is used for business combinations.

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.

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.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

2. Summary of significant accounting policies (CONTINUED)

2.10 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.

2.11 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 three and five years.

2.12 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 methods 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.

2.13 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.

2.14 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.

2.15 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.

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.

2.16 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.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, investments in money-market funds. 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

2. Summary of significant accounting policies (CONTINUED)

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 Assets held for sale

Assets held for sale are assets previously classified as non-current, which are expected to be sold rather than held for continuing use. These have principally arisen as part of the Group's review of its structure and strategy.

Assets held for sale have not been sold at the reporting date but are being actively marketed for sale, with a high probability of completion within 12 months of their classification as held for sale.

2.23 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 coordinated 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.

2.24 Employee benefit trust

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

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

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

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

2.25 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%.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

3. Discontinued operations

Following review of the Group's strategy as noted in the market release dated 1 November 2021, Westek Technology Limited ("Westek"), Sapienza Consulting Holdings BV, including its subsidiaries ("Sapienza") and the Group's Northstar operations have been identified as assets held for sale in line with IFRS 5 Assets Held for Sale and Discontinued Operations.

Westek makes up a significant percentage of the Engineering business segment's revenue and operating result, and a material percentage of Group's operating result and net assets. Furthermore, the business represents the Group's entire ruggedised electronics business and, therefore, represents a major line of business.

Sapienza makes up a significant percentage of the Consulting business segment's revenue, operating result and net assets. Furthermore, the business represents:

- The Group's entire manpower activity in Europe
- The Group's entire mainland European legal and people infrastructure
- The Group's entire business for the document management software, Eclipse

Northstar is a significant part of the Group's software operations in terms of revenue and adjusted operating profit/(loss). The balance of the software operations is the Eclipse software suite of products sold by Sapienza. Eclipse and Northstar are both being disposed of as part of the revised strategy, closing the Group's software business in its entirety.

The financial performance and cash flow information for these discontinued operations, including the discontinued operations of TPG Engineering Limited, disposed of on 29 October 2020, is as follows:

	2021 £'000	2020 £'000
Revenue	18,674	22,174
Cost of sales	(15,500)	(17,908)
Gross profit	3,174	4,266
Administrative expenses	(4,998)	(8,946)
Impairment	(10,572)	(4,106)
Operating loss	(12,396)	(8,786)
Net finance cost	(63)	(114)
Loss before taxation	(12,459)	(8,900)
Taxation credit	1,321	333
Loss after taxation for the year from discontinued operations	(11,138)	(8,567)
Loss on disposal of discontinued operations	–	(596)
Loss for the period from discontinued operations (attributable to equity holders of the company)	(11,138)	(9,163)
Loss per share from discontinued operations (pence per share):		
Basic loss per share (pence per share)	(1.43)	(1.18)
Diluted loss per share (pence per share)	(1.43)	(1.18)
Cash flows from / (used in) discontinued operations:		
Net cash flows from operating activities	(1,120)	2,248
Net cash flows from investing activities	(546)	(1,035)
Net cash flows from financing activities	(217)	(1,250)
Effects of exchange rates on cash and cash equivalents	(10)	61
Net decrease in cash generated by discontinued operations	(1,893)	24

The following assets and liabilities were classified as held for sale in relation to the discontinued operations as at 31 December 2021:

Group

	2021 £'000
Assets classified as held for sale	
Other intangible assets	1,482
Property, plant and equipment	137
Right-of-use assets	500
Inventory	303
Trade receivables	4,450
Amounts due from contract customers	1,298
Total assets of disposal group held for sale	8,170
Liabilities directly associated with assets classified as held for sale	
Trade creditors	584
Other creditors and accruals	1,123
Amounts due to contract customers	3,506
Taxation	15
Lease liabilities	663
Deferred tax liability	270
Provisions	165
Total liabilities of disposal group held for sale	6,326

Parent

	2021 £'000
Assets classified as held for sale	
Investments	3,662
Intercompany receivables	3,130
Total assets of disposal group held for sale	6,792
Liabilities directly associated with assets classified as held for sale	
Intercompany payables	150
Total liabilities of disposal group held for sale	150

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

4. Segmental information

The Group's segmental reporting shows the performance of each operating businesses separately from the central costs that remain unallocated. The segments have been renamed at the end of 2021 following the revised strategy announced 1 November 2021, which confirmed the Group would focus on its UK businesses including Maritime, UK Consulting and Osprey.

- Engineering, which previously included both the Group's life support systems business (TPG Maritime Limited) and its ruggedised electronics business (Westek Technology Limited), has been renamed TPG Maritime. This segment now only includes TPG Maritime Limited, with Westek Technology Limited ("Westek") classified as an asset held for sale and being reported as a discontinued operation.
- The TPG Services business segment (formerly named Consulting) provides specialist services to enable our clients to transform their enterprise and evolve their systems and services. This segment now excludes Sapienza Consulting Holdings BV and its subsidiaries ("Sapienza") as this is also classified as held-for-sale and reported as discontinued operations. The renaming to TPG Services more accurately reflects the substance of this business, excluding Sapienza.

Software Digital Solutions business unit is no longer applicable because it has been classified as discontinued.

Financial information is provided to the chief operating decision maker ("CODM") in line with this structure.

The segmental analysis is reviewed to operating profit. Other resources are shared across the Group.

Continuing Operations:	2021 £'000	2020 (restated) £'000
Revenue		
TPG Maritime	18,459	18,783
TPG Services	25,796	19,890
Group revenue	44,255	38,673
Operating result		
TPG Maritime	(4,393)	(165)
TPG Services	1,354	298
Central unallocated costs	(4,461)	(3,421)
Group loss from operations	(7,500)	(3,288)
Finance cost	(450)	(301)
Loss before tax	(7,950)	(3,589)
Taxation credit/(charge)	59	(9)
Loss after tax	(7,891)	(3,598)

Revenue reported above represents revenue generated from external customers.

Continuing Operations:	TPG Maritime £'000	TPG Services £'000	Central unallocated costs £'000	Group £'000
2021				
Operating result	(4,393)	1,354	(4,461)	(7,500)
Depreciation, amortisation and impairment	1,840	1,008	281	3,129
Acquisition-related costs	–	–	(40)	(40)
Exceptional operating costs	86	–	1,789	1,875
Gain on disposal of assets	–	(23)	–	(23)
Share-based payments	–	–	164	164
Movement in expected earn-out payments	–	–	830	830
Adjusted operating profit/(loss)	(2,467)	2,339	(1,437)	(1,565)

Continuing Operations (restated):	**TPG Maritime £'000**	**TPG Services £'000**	**Central unallocated costs £'000**	**Group £'000**
2020				
Operating result	(165)	298	(3,421)	(3,288)
Depreciation, amortisation and impairment	1,223	692	346	2,261
Acquisition-related costs	–	–	1,035	1,035
Exceptional operating costs	104	25	209	338
Share based payments	–	–	98	98
Movement in expected earn-out payments	–	–	479	479
Adjusted operating profit / (loss)	1,162	1,015	(1,254)	923

Geographical analysis

Non-current assets by geographical area are as follows:

	2021 £'000	2020 (restated) £'000
United Kingdom	15,392	21,868
Europe excluding United Kingdom	–	10,659
Total non-current assets	15,392	32,527

5. Revenue

The Group's main revenue streams are disclosed in note 4 above.

For the purposes of the analysis of revenue, geographical markets are defined as the country or area in which the client is based.

5.1 Primary geographic markets

	2021 £'000	2020 (restated) £'000
United Kingdom	41,326	33,318
Europe	524	2,999
Rest of the World	2,405	2,356
Total revenue	44,255	38,673

5.2 Analysis by industry

Continuing operations	2021 £'000	2020 (restated) £'000
Revenue		
Defence	35,818	34,132
Aerospace	7,540	4,355
Energy	897	186
Total revenue	44,255	38,673

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

5. Revenue (CONTINUED)

5.3 Information about major customers

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

	2021 £'000	2020 (restated) £'000
Customer 1	19,426	14,493
Customer 2	5,115	3,470
Customer 3	3,565	2,717
Total revenue	28,106	20,680

5.4 Contract balances

Changes in the contract assets and liability balances during the period are as follows:

Group	2021 £'000	2020 (restated) £'000
Contract assets		
Brought forward at 1 January	7,391	10,042
Contract asset reclassified as a receivable	(4,003)	(4,923)
Revenue recognised as contract assets	5,158	7,866
Disposal of subsidiary	–	(4,770)
Classified as held for sale	(2,371)	–
Effect of changes in measurement of progress/estimate of transaction price/contract modification	(576)	(824)
Carried forward at 31 December	5,599	7,391
Contract liabilities		
Brought forward at 1 January	5,554	10,228
Revenue recognised in the year and included in opening balance	(1,355)	(6,059)
New cash received/revenue deferred	1,341	5,073
Disposal of subsidiary	–	(3,890)
Classified as held for sale	(3,393)	–
Effect of changes in measurement of progress/estimate of transaction price/contract modification	3,026	202
Carried forward at 31 December	5,173	5,554

The nature of the business activities of the Group requires contracts with customers with terms spanning several years and as such either cash is received in advance or revenue accrued based on milestones being met based on contract terms in place. More applicable to the Engineering business, 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 TPG Services 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.

Amounts due to contract customers of £5,173,000 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 2022 financial year.

6. Research and development

Group	2021 £'000	2020 £'000
Expenditure in the year	192	1,014
Capitalised as intangible assets – software	(142)	(1,014)
Impairment of intangible assets	571	–
Amortisation of capitalised costs	51	77
Net cost recognised in the income statement	672	77

7. Operating expenses

7.1 Operating loss

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

	2021 £'000	2020 (restated) £'000
Loss on disposal of subsidiary	–	596
Cost of inventories recognised as an expense in Cost of Sales (note 16)	13,019	8,174
Amortisation of intangible assets (note 13)	1,683	1,406
Impairment of intangible assets	571	–
Depreciation of property, plant and equipment and right-of-use assets (notes 14 and 22)	883	858
Impairment of trade receivables	333	21
Share-based payment expense[1]	164	98
Net losses on foreign currency translation	(20)	80

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

7.2 Auditor's remuneration

	2021 £'000	2020 (restated) £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	179	75
Fees payable to the Company's auditor for the audit of the Company's subsidiaries (2021 includes £242,000 in respect of the prior year audit)	413	155
Total fees payable for audit services	592	230
Fees payable to the Company's auditor for other services:		
Corporation tax compliance services	7	30
Audit related assurance services	4	–
Tax advisory services	25	139
Valuation services	–	126
Due diligence services	–	76
Training services	–	23
Total fees payable to the Company's auditor	628	624

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

8. Employee information

8.1 Employment costs (Group)

	2021 £'000	2020 £'000
Wages and salaries	21,138	22,503
Social security costs	2,583	2,567
Other pension costs	2,071	1,278
Employment related contingent consideration	830	479
Share-based payments	164	98
Group employment costs	26,786	26,925

	Number	Number
Engineering	334	346
Business development	16	10
Administration	100	105
Average number of employees	450	461

Group employment costs for the year ended 31 December 2021 include wages and salaries of £7,728,000 (2020: £10,933,000), social security costs of £1,111,000 (2020: £1,204,000) and other pension costs of £757,000 (2020: £212,000) relating to discontinued operations.

Retirement benefits

The Group operates 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 £1,563,000 (2020: £1,278,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2021, contributions of £101,000 (2020: £101,000) due in respect of the 2021 reporting period remained outstanding. The amounts were paid subsequent to the end of the reporting period.

8.2 Employment costs (Parent Company)

	2021 £'000	2020 £'000
Wages, salaries and benefits	2,666	2,429
Social security costs	332	336
Other pension costs	257	262
Share-based payments	164	98
Parent Company employment costs	3,419	3,125

	Number	Number
Business development	2	3
Administration	24	27
Average number of employees	26	30

Retirement benefits

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

The total expense recognised in profit or loss of £257,000 (2020: £262,000) represents contributions payable to these plans by the Parent Company at rates specified in the rules of the plans. As at 31 December 2021, contributions of £14,000 (2020: £28,000) due in respect of the 2021 reporting period remained outstanding. The amounts were paid subsequent to the end of the reporting period.

8.3 Key management personnel

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 24 to 25.

	2021 £'000	2020 £'000
Wages and salaries	650	728
Pay in lieu of notice	641	–
Contributions to defined contribution pension schemes	27	32
Social Security costs	118	101
Other benefits	44	72
Share-based payments	19	68
Total key management remuneration	**1,499**	**1,001**

9. Net finance cost

Group	2021 £'000	2020 (restated) £'000
Interest recognised on lease contracts	(127)	(147)
Bank interest paid	(163)	(154)
Other interest paid	(10)	–
Loan arrangement fees	(150)	–
Finance expense	**(450)**	**(301)**
Net finance expense	**(450)**	**(301)**

10. Taxation

10.1 Tax charge

The tax charge/(credit) comprises:

Group	2021 £'000	2020 £'000
Current tax (credit)/charge for the year	(25)	262
Adjustments in respect to prior year	(3)	(321)
Current tax	**(28)**	**(59)**
Deferred tax arising on amortisation of acquired intangibles	(31)	(52)
Deferred tax arising on intangibles	–	120
Deferred tax	**(31)**	**68**
Tax (credit)/charge from continuing operations	**(59)**	**9**
Tax (credit) from discontinued operations	**1,321**	**333**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

10. Taxation (CONTINUED)

The tax credit for the period is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained as follows:

10.2 Tax reconciliation

Group	2021 £'000	2020 £'000
Loss on ordinary activities before tax including discontinued operations	(20,409)	(12,489)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020: 19%)	(3,878)	(2,373)
Effects of:		
Expenses not deductible for tax purposes	2,619	1,387
Income not taxable	(37)	(194)
Other timing differences	(1,724)	214
Share-based payments	–	18
Deferred tax arising on intangibles	–	120
Adjustment to deferred tax in respect to change in tax rates	374	366
Deferred tax not recognised	1,123	689
Effect of overseas tax rates	–	(21)
Adjustment in respect of prior years	143	(530)
Tax credit for the year	(1,380)	(324)

10.3 Deferred tax

Group	2021 £'000	2020 £'000
At 1 January	3,001	2,738
Disposal of subsidiary	–	(29)
Arising on business combination	–	321
Credit to comprehensive income	(1,353)	(73)
Classified as held-for-sale	(270)	–
Effect of movements in exchange rates	25	44
At 31 December	1,403	3,001

The deferred tax liability brought forward on 1 January 2021 arose in respect of intangible assets acquired on the acquisition of TPG Maritime Limited, 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, Lift BV on 28 June 2019 and Osprey Consulting Services Limited on 25 August 2020.

At the reporting date, the Group has approximately £26.7m (2020: £18.6m) 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 £17.9m (2020: £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 deferred tax balances as at 31 December 2021 are measured at 25% as the increase to the main rate of corporation tax to 25% from April 2023 announced in the March 2021 Budget was substantively enacted on 24 May 2021.

11. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2021 is based upon a loss after tax of £18,630,000 (2020 (restated): loss after tax of £12,761,000) and a weighted average number of shares of 779,178,719 (2020: 779,178,719). Further split between continued and discontinued operations is shown in the table below.

Numerator	Continuing operations 2021 £'000	Discontinued operations 2021 £'000	Total 2021 £'000	Continuing operations 2020 (restated) £'000	Discontinued operations 2020 (restated) £'000	Total 2020 (restated) £'000
Loss for the year used in basic EPS	(7,891)	(11,138)	(19,029)	(3,598)	(9,163)	(12,761)
Loss for the year used in diluted EPS	(7,891)	(11,138)	(19,029)	(3,598)	(9,163)	(12,761)
Denominator	'000	'000	'000	'000	'000	'000
Weighted average number of shares used in basic EPS	779,179	779,179	779,179	779,179	779,179	779,179
Weighted average number of shares used in diluted EPS	779,179	779,179	779,179	779,179	779,179	779,179

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.

12. Goodwill

Group	£'000
Cost and net book value	
At 1 January 2020	9,161
Acquired through business combination	556
Impairment	(1,778)
Effect of movements in exchange rates	152
At 31 December 2020	8,091
Impairment	(3,567)
Effect of movements in exchange rates	(186)
At 31 December 2021	**4,338**

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, the increase in its shareholding in Lift B.V. from 33% to 69% on 30 June 2019, 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.

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, which are expected to benefit from the synergies of the business combination that gave rise to the goodwill as analysed in the table below:

	2021 £'000	2020 £'000
TPG Maritime Limited	3,316	3,316
Polaris Consulting (Holdings) Limited	468	468
Westek Technology Limited	–	904
Sapienza Consulting Holdings B.V and subsidiaries	–	2,849
Osprey Consulting Services Limited	554	554
At 31 December	4,338	8,091

In line with IFRS 5, Goodwill on the acquisition of Westek Technology Limited, Lift BV and Sapienza Consulting Holdings B.V and subsidiaries has been re-classified as "assets held for sale". Immediately before reclassification as held for sale, the related goodwill was tested for impairment and impairments recognised.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

12. Goodwill (CONTINUED)

During the year, goodwill was tested for impairment in accordance with IAS 36. The recoverable amount of the Group's goodwill was assessed by reference to value-in-use calculations derived from five-year budgeted cash flows, and extrapolated cash flows thereafter based on estimated terminal growth rates of 1.5% (2020: 1.5%).

Cash flows are based on 2022 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% (2020: 10.7%). Management has assessed TPG Maritime, combined TPG Services and Polaris Consulting (Holdings) and Osprey Consulting Services Limited as identifiable cash generating units. Prudent revenue growth assumptions of 2% have been used. Cost increase assumptions, which are running ahead of revenue growth assumptions of 5% in the near term reducing to 3% in later years have been applied. Impairment tests have been performed with significant headroom noted. Further sensitivities have been run with profit for all businesses set lower than prior period actuals, which still provides significant headroom.

13. 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
Cost								
At 1 January 2020	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
At 31 December 2020	12,472	610	12,761	947	1,541	567	2,746	31,644
Additions	–	142	–	–	–	–	822	964
Re-classified as held for sale	(731)	(130)	(6,979)	(504)	(924)	–	(3,405)	(12,673)
Disposal	–	–	–	–	–	(320)	(20)	(340)
Effect of movements in exchange rates	–	–	(388)	(35)	(65)	–	(143)	(631)
At 31 December 2021	**11,741**	**622**	**5,394**	**408**	**552**	**247**	**–**	**18,964**
Accumulated amortisation								
At 1 January 2020	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
At 31 December 2020	7,003	–	2,796	147	886	360	819	12,011
Charge for year	856	78	1,283	95	349	80	484	3,225
Impairment	421	571	5,045	533	–	–	1,004	7,574
Re-classified as held for sale	(652)	(27)	(6,979)	(504)	(924)	–	(2,261)	(11,347)
Disposal	–	–	–	–	–	(275)		(275)
Effect of movements in exchange rates	–		(82)	(9)	(65)	–	(46)	(202)
At 31 December 2021	**7,628**	**622**	**2,063**	**262**	**246**	**165**	**–**	**10,986**
Net Book Value								
At 31 December 2020	5,469	610	9,965	800	655	207	1,927	19,633
At 31 December 2021	**4,113**	**–**	**3,331**	**146**	**306**	**82**	**–**	**7,978**

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 2021, this technical know-how had a net book value of £4,113,000, and a remaining useful life of 12 years.

Intangible assets consisting of customer relationships brought-forward as at 1 January 2021 also include those arising from the acquisition of ALS Technologies Limited (now TPG Services Limited) and Flexible Solutions Software Limited on 6 February 2017, Polaris Consulting (Holdings) Limited on 12 December 2017, Sapienza Consulting Holdings B.V. and subsidiaries on 30 April 2019 and Osprey Consulting Services Limited on 25 August 2020. These assets are amortised on a straight-line basis over their useful life of ten years.

Customer relationships arising on the acquisition of Sapienza Consulting Holdings BV have been re-classified as held-for-sale at the reporting date.

Computer software represents externally acquired computer software licenses and associated installation costs. Prior to being classified as held-for-sale, internally developed software was amortised on a straight-line basis over its useful life of five years. Externally acquired computer software is amortised on a straight-line basis over its useful life of three years. When the software is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software.

Parent Company	Computer software £'000	Total £'000
Cost		
At 1 January 2020	393	393
Additions	106	106
At 31 December 2020	499	499
Disposals	(320)	(320)
At 31 December 2021	**179**	**179**
Accumulated amortisation		
At 1 January 2020	252	252
Charge for year	62	62
At 31 December 2020	314	314
Charge for year	66	66
Elimination on disposal	(275)	(275)
At 31 December 2021	**105**	**105**
Net book value		
At 1 January 2020	141	141
At 31 December 2020	185	185
At 31 December 2021	**74**	**74**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

14. Property, plant and equipment

Group	Computer equipment £'000	Office furniture and fittings £'000	Plant and machinery and motor vehicles £'000	Total £'000
Cost				
At 1 January 2020	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
At 31 December 2020	925	730	385	2,040
Additions	122	117	47	286
Disposals	(309)	(69)	–	(378)
Classified as held for sale	(162)	(170)	(16)	(348)
Effect of movements in exchange rates	(7)	(6)	–	(13)
At 31 December 2021	**569**	**602**	**416**	**1,587**
Accumulated depreciation				
At 1 January 2020	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)
At 31 December 2020	471	363	244	1,078
Charge for year	259	124	41	424
Disposals	(230)	(51)	–	(281)
Classified as held for sale	(120)	(85)	(14)	(219)
Effect of movements in exchange rates	(3)	(3)	–	(6)
At 31 December 2021	**377**	**348**	**271**	**996**
Net book value				
At 1 January 2020	608	414	1,051	2,073
At 31 December 2020	454	367	141	962
At 31 December 2021	**192**	**254**	**145**	**591**

Parent Company	Computer equipment £'000	Office furniture and fittings £'000	Total £'000
Cost			
At 1 January 2020	153	120	273
Additions	41	–	41
At 31 December 2020	194	120	314
Additions	14	–	14
Disposals	(61)	–	(61)
At 31 December 2021	**147**	**120**	**267**
Accumulated depreciation			
At 1 January 2020	88	28	116
Charge for year	42	40	82
At 31 December 2020	130	68	198
Charge for year	38	40	78
Elimination on disposal	(61)	–	(61)
At 31 December 2021	**107**	**108**	**215**
Net book value			
At 1 January 2020	65	92	157
At 31 December 2020	64	52	116
At 31 December 2021	**40**	**12**	**52**

15. Investments

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

Parent Company	2021 £'000	2020 £'000
At 1 January	33,013	33,874
Investment in shares in Group undertakings	–	2,545
Impairment charge during the year	(9,644)	(3,406)
Classified as held for sale	(3,662)	–
At 31 December	19,707	33,013

For the Parent Company's investments in TPG Maritime, combined TPG Services and Polaris Consulting (Holdings) and Osprey Consulting Limited, prudent revenue growth assumptions of 2% have been used. Cost increase assumptions, which are running ahead of revenue growth assumptions, of 5% in the near term, reducing to 3% in later years have been applied. A pre-tax discount rate of 10.7% (2020: 10.7%) has been used. Impairment tests have been performed with significant headroom noted for each of these investments. Further sensitivities have been run with profit for all businesses set lower than prior period actuals, which still provides significant headroom.

The impairment in year of £9,644k, relates to the Parent Company's investment in Sapienza Consulting Holdings BV and Westek Technologies Ltd. Both businesses have been classified as "assets held for sale" and so the carrying value of the investments have been impaired to the expected sales prices less fees.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

15. Investments (CONTINUED)

Name of undertaking	Registered office note	Country of incorporation	Description of shares held	Proportion of nominal value of shares held by the Parent Company 2021	2020	Principal activity
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
TPG Services Limited	1	United Kingdom	£0.01 ordinary shares	100%	100%	2
Polaris Consulting (Holdings) Limited	1	United Kingdom	£1.00 ordinary shares	100%	100%	2
Polaris Consulting Limited	1	United Kingdom	£1.00 ordinary shares	100%	100%	2
Westek Technology Limited	1	United Kingdom	£1.00 ordinary shares	100%	100%	3
TPG USA Inc.	2	United States of America	$0.001 ordinary shares	100%	100%	4
US Merger Corp Inc.	2	Unites States of America	$0.001 ordinary shares	100%	100%	4
Atmosphere Control International Limited	1	United Kingdom	£1.00 ordinary shares	100%	100%	Dormant
Sapienza Consulting Holdings B.V.	3	Netherlands	€0.01 ordinary shares	100%	100%	5
Sapienza Consulting B.V.	3	Netherlands	€100 ordinary shares	100%	100%	5
Sapienza Consulting Limited	4	United Kingdom	€1.00 ordinary shares	100%	100%	5
Sapienza Consulting Gmbh	5	Germany	€12,500 ordinary shares	100%	100%	5
Sapienza Consulting S.R.L.	6	Italy	100% of capital	100%	100%	5
AI Recruiting B.V.	7	Netherlands	€100 ordinary shares	100%	100%	5
Sapienza Balkans Holdings B.V. [1,2]	7	Netherlands	€1.00 ordinary shares	65%	65%	5
Sapienza Balkans Skopje	8	North Macedonia	€20,000 ordinary share	100%	100%	5
Lift B.V.	9	Netherlands	€0.01 ordinary shares	100%	100%	6
TP Group Sapienza France SAS	10	France	€10 ordinary shares	100%	100%	5
Osprey Consulting Services Limited	11	United Kingdom	£0.001 ordinary shares	100%	100%	7
GCAP Limited	11	United Kingdom	£1 ordinary shares	100%	0%	7

1 On 26 April 2022, the parent of Sapienza Balkans Holdings B.V., AI Recruiting BV, acquired the remaining 35% shareholding from the minority interest for €15,000.
2 On 12th July 2022 TPG Design and Technology acquired the entire share capital of Sapienza Balkans Holdings B.V. from AI Recruiting BV for €43,000.

Principal activities:

1. Provision of air purification equipment for submarines including oxygen/hydrogen generation and purification, air handling and distribution systems.
2. The provision of software and services including technical project management, systems engineering, design, software development, artificial intelligence and assurance.
3. The provision of high-performance computer servers and ancillary equipment for the defence and commercial sectors.
4. Dissolved 25 April 2022.
5. A provider of workforce, engineering services and IT solutions to the space and defence sectors.
6. Ceased operation 31 December 2020.
7. 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. Cale House, Station Road, Wincanton, England, BA9 9FE, 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

16. Inventories

Group	2021 £'000	2020 £'000
Raw materials	170	893
Work in progress	246	524
	416	1,417

The cost of inventories recognised as an expense during the year in respect of continuing operations was £13,019,000 (2020 restated): £8,174,000). The cost of inventories recognised as an expense during the year in respect of discontinued operations (note 10) was £1,056,000 (2020 (restated): £4,279,000). This represents the expense recognised by TPG Engineering Limited up to the date of disposal by the Group in October 2020 and Westek Technology Limited, which is held for sale at the 31 December 2021. The cost of inventories recognised at the reporting date is not materially different to the replacement cost.

17. Trade receivables and other assets

	Group		Parent Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current assets:				
Trade receivables	3,814	7,995	–	–
Less: provision for impairment	(333)	(21)	–	–
Trade receivables – net	3,481	7,974	–	–
Other receivables	460	194	131	153
Amounts owed by subsidiary undertakings	-	–	220	936
Prepayments	571	2,100	205	223
	4,512	10,268	556	1,312
Non-current assets:				
Amounts owed by subsidiary undertakings	–	–	–	3,635
	–	–	–	3,635

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

17. Trade receivables and other assets (CONTINUED)

The ageing of past due but not impaired receivables is:

	Group		Parent Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
0–30 days	459	897		
31–60 days	101	87	–	–
61–90 days	485	876	–	–
>90 days	–	39		
	1,045	1,899	–	–

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.

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.

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 expected credit loss provision are recognised in profit or loss.

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

Group	2021 £'000	2020 £'000
Opening balance	21	141
New provision recognised, expensed to income statement	333	21
Provision reversed, credited to income statement	(21)	(136)
Provision utilised	–	(5)
Closing Balance	333	21

In 2021, rent deposits of £48,000 (2020: £48,000) 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.

18. Cash and cash equivalents

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

	Group		Parent Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash and bank balances	5,376	7,372	193	1,557
Cash and cash equivalents	5,376	7,378[1]	193	1,557

[1] Restricted cash of £nil (2020: £6,000) is included in Prepayments and Other Debtors.

19. Borrowings

Group	Current 2021 £'000	Current 2020 £'000	Non–current 2021 £'000	Non–current 2020 £'000	Total 2021 £'000	Total 2020 £'000
Secured:						
Lease liabilities[1]	424	609	2,752	4,079	3,176	4,688
Bank Loan	–	–	7,000	7,000	7,000	7,000
	424	609	9,752	11,079	10,176	11,688

[1] 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 2021 £'000	Current 2020 £'000	Non–current 2021 £'000	Non–current 2020 £'000	Total 2021 £'000	Total 2020 £'000
Secured:						
Lease liabilities	58	116	27	207	85	323
Bank Loan	–	–	7,000	7,000	7,000	7,000
	58	116	7,027	7,207	7,085	7,323

In March 2020, the Group entered into a £7.0m revolving loan facility (the "Facility Agreement") with HSBC UK Bank plc.

In December 2021 and in conjunction with the Group securing a £5m loan facility from Science Group Plc (refer below), the term on this credit facility was extended to September 2023 to be co-terminus with the Science Group loan. Furthermore, the leverage covenant was increased to 3.75 times EBITDA from 2.0 times for the 12-month period through to December 2022. As a consequence, a cash flow covenant for the same period was introduced, which requires the Group to have at least £3m of cash headroom at each month end including any undrawn HSBC Bank or Science Group Plc loan facility. In addition, the margin was increased to 3%, up from a variable margin of between 2.25% and 2.75% dependent on the amount of leverage. The interest cover covenant remained the same i.e. EBITDA must be at least four 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.

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.

On 16 December 2021 the Company entered into a standby credit facility with its major shareholder Science Group plc. The facility takes the form of a Revolving Credit facility of a sum up to £5 million for a period to 30 September 2023. The terms of the facility, which reflect the unsecured standby revolving nature of the arrangement, include a set-up fee of 3%, interest rate on drawn amounts of 1% per month and a rate of 0.4% per month of any undrawn amount, both subject to the Sterling Overnight Index Average remaining below 1%. The facility can be cancelled or refinanced by TP Group at any time and without penalty or early termination charges. The full £5m was undrawn at 31 December 2021.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

20. Notes supporting statement of cash flows

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

Group **Continuing Operations:**	Borrowings (note 19)[1] £'000	Lease liabilities (note 22) £'000	Total £'000
Liability at 1 January 2021	**7,000**	**4,688**	**11,688**
Cash flows	**–**	**(769)**	**(769)**
Non-cash flows:			
– Interest recognised	**–**	**171**	**171**
– New lease liabilities	**–**	**206**	**206**
– Early termination adjustment		**(421)**	**(421)**
– Classified as held-for-sale	**–**	**(663)**	**(663)**
– Effect of movements in exchange rates	**–**	**(36)**	**(36)**
Liability at 31 December 2021	**7,000**	**3,176**	**10,176**
Liability at 1 January 2020	–	6,451	6,451
Cash flows	7,000	(1,848)	5,152
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
Liability at 31 December 2020	7,000	4,688	11,688

[1] Movements on borrowings for both 2020 and 2021 are the same for the Parent Company.

21. Trade payables and other liabilities

Group	2021 £'000	2020 (restated) £'000
Trade payables	**6,007**	6,398
Accruals and deferred income	**3,009**	4,898
Other taxation and social security	**1,620**	2,105
Contingent consideration	**402**	466
Other creditors	**116**	522
	11,154	14,389

Parent	2021 £'000	2020 £'000
Trade payables	**525**	408
Amounts owed to subsidiary undertakings	**3,723**	691
Accruals and deferred income	**1,249**	916
Other taxation and social security	**708**	922
Contingent consideration	**402**	466
Other creditors	**15**	28
	6,622	3,431

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

	Group		Parent	
	2021 £'000	2020 (restated) £'000	2021 £'000	2020 £'000
Trade and other payables are analysed as:				
Financial instruments	9,534	12,284	5,914	2,509
Non-financial instruments	1,620	2,105	708	922
	11,154	14,389	6,622	3,431

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 27 days (2020: 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 settled.

22. Leases

22.1 Right-of-use assets:

Group	Property, plant, machinery and motor vehicles £'000	Total £'000
Cost		
At 1 January 2020	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
At 31 December 2020	5,342	5,342
Additions	215	215
Disposals	(529)	(529)
Classification as held for sale	(997)	(997)
Effect of movements in exchange rates	(17)	(17)
At 31 December 2021	**4,014**	**4,014**
Accumulated depreciation		
At 1 January 2020	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
At 31 December 2020	1,501	1,501
Charge for year	668	668
Disposals	(272)	(272)
Classification as held for sale	(385)	(385)
Effect of movements in exchange rates	17	17
At 31 December 2021	**1,529**	**1,529**
Net book value		
At 1 January 2020	5,808	5,808
At 31 December 2020	3,841	3,841
At 31 December 2021	**2,485**	**2,485**

On 28 September 2021, TPG Services Limited entered into a four-year lease for a property in Bristol.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

22. Leases (CONTINUED)

Parent Company	Property, plant and machinery £'000	Total £'000
Cost		
At 1 January 2020	494	494
Additions	59	59
Disposal	(17)	(17)
At 31 December 2020	536	536
Additions	9	9
Disposal	(129)	(129)
Early termination adjustment	(131)	(131)
At 31 December 2021	**285**	**285**
Accumulated depreciation		
At 1 January 2020	131	131
Charge for year	120	120
Disposal	(17)	(17)
At 31 December 2020	234	234
Charge for year	115	115
Disposal	(122)	(122)
At 31 December 2021	**227**	**227**
Net book value		
At 1 January 2020	363	363
At 31 December 2020	302	302
At 31 December 2021	**58**	**58**

The depreciation charges in the tables above are included within administrative expenses in the Income Statement.

Right-of-use assets brought forward comprise property leases at Cody Technology Park, Farnborough for a period of three years and Apex Plaza, Reading for a period of five years. The Company exited Cody, Technology Park Farnborough on termination of the lease in September 2021. The Company has exited Apex Plaza, Reading, exercising the break clause on the lease which terminated in March 2022.

22.2 Lease liabilities

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

	Property		Motor Vehicles		Other Equipment		Total	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Future minimum payments due:								
Not later than one year	461	714	9	30	17	22	487	766
After one year but not more than five years	1,346	2,191	1	21	32	48	1,379	2,260
After five years	1,896	2,519	–	–	–	–	1,896	2,519
Less finance charges allocated to future periods	(583)	(850)	–	(2)	(3)	(5)	(586)	(857)
Present value of minimum lease payments	3,120	4,574	10	49	46	65	3,176	4,688

The present value of minimum lease payments is analysed as follows:

	Property 2021 £'000	Property 2020 £'000	Motor Vehicles 2021 £'000	Motor Vehicles 2020 £'000	Other Equipment 2021 £'000	Other Equipment 2020 £'000	Total 2021 £'000	Total 2020 £'000
Not later than one year	400	561	9	28	15	20	424	609
After one year but not more than five years	1,028	1,756	1	21	31	45	1,060	1,822
After five years	1,692	2,257	–	–	–	–	1,692	2,257
	3,120	4,574	10	49	46	65	3,176	4,688

The average lease term is five years. For the year ended 31 December 2021, the average effective borrowing rate was 4.52% (2020: 4.52%). 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.

	Group		Parent	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Effects of leases on financial performance:				
Depreciation charge for the year included in 'administrative expenses' for right-of-use assets:				
Property, plant, machinery and motor vehicles	668	898	115	120
Total depreciation charge on leased assets	668	898	115	120
Interest expense for the year on lease liabilities recognised in 'finance costs'	171	164	5	13
Effect of leases on cash flows:				
Total cash outflow for leases in the year	769	1,848	113	203

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 2021.

Lease payments made in the year contained 100% (2020: 100%) fixed and 0% (2020: 0%) variable proportions.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

23. Financial instruments

23.1 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	2021 Amortised cost £'000	2021 Financial liabilities £'000	2021 Carrying value £'000	2020 (restated) Amortised cost £'000	2020 (restated) Financial liabilities £'000	2020 (restated) Carrying value £'000
Financial assets:							
Trade receivables	17	3,481	–	3,481	7,974	–	7,974
Other receivables	17	460	–	460	194	–	194
Cash and cash equivalents	18	5,376	–	5,376	7,372	–	7,372
		9,317	–	9,317	15,540	–	15,540
Financial liabilities:							
Trade and other payables	21	–	9,534	9,534	–	12,284	12,284
Lease liabilities	22	–	3,176	3,176	–	4,688	4,688
Bank Loan		–	7,000	7,000	–	7,000	7,000
		–	19,710	19,710	–	23,972	23,972

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

23.2 Financial risk factors

(a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Liquidity needs are monitored on a weekly and monthly basis. The Group maintains a level of cash and cash equivalents, bank and other finance servicing facilities deemed adequate by management to ensure as far as possible, that the Group will have sufficient liquidity to meet its liabilities when they fall due.

The Group's financial obligations consist of trade and other payables, lease liabilities and the bank loan, which are set out in notes 19, 21 and 22.

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

Group	Note	2021 Within 1 year £'000	2021 Between 1 and 5 years £'000	2021 Over 5 years £'000	2020 Within 1 year £'000	2020 Between 1 and 5 years £'000	2020 Over 5 years £'000
Trade and other payables	21	9,534	–	–	12,284	–	–
Amounts due to contract customers	5	5,173	–	–	5,554	–	–
Lease liabilities	22	487	1,379	1,896	766	2,260	2,519
Loans and borrowings	19	151	7,000	–	151	7,000	–

Parent	Note	2021 Within 1 year £'000	2021 Between 1 and 5 years £'000	2021 Over 5 years £'000	2020 Within 1 year £'000	2020 Between 1 and 5 years £'000	2020 Over 5 years £'000
Trade and other payables	21	5,914	–	–	2,509	–	–
Lease liabilities	22	58	27	–	127	216	–
Loans and borrowings	19	151	7,000	–	151	7,000	–

(b) Credit risk

The Group's exposure to credit risk is attributable to its trade receivables and its amounts recoverable on contracts. 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 £333,000 (2020: £21,000).

(c) 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 3% over SONIA on the amount drawn down from December 2021 to September 2023, when the Facility Agreement ends. A 1% rise or fall in the interest rate would not have a material impact on the profit for the financial period (2020: £nil).

The Group is also exposed to interest rate risk under the terms of the Science Group loan. The Group will pay interest at a rate of 12% per annum fixed unless the SONIA rate gets above 1% per annum, on the amount drawn down and at a rate of 40% of the 12% per annum on any undrawn amount, from December 2021 to September 2023, when the loan agreement ends. If the SONIA rate increases above 1% per annum, Science Group can pass this increase onto TP Group.

In aggregation, a 1% per annum increase in the SONIA rate on the Facility Agreement and the Science Group loan will incur an additional £120k interest per annum assuming the Science Group loan was fully drawn so does not have a material impact on the profit for any financial period.

(d) 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 and liabilities in respect of continuing operations at the reporting date are shown below:

2021	USD £'000	Euro £'000	Total £'000
Financial assets	**59**	**523**	**582**
Financial liabilities	**798**	**–**	**451**

2020	USD £'000	Euro £'000	Total £'000
Financial assets	4	32	36
Financial liabilities	122	48	170

All foreign currency denominated financial assets and liabilities are classified as current.

23.3 Capital management

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

24. Provisions for liabilities and charges

Group	Warranty £'000	Contract £'000	Onerous contract provision £'000	Legal provision £'000	Property £'000	Total £'000
At 1 January 2021 (restated)	34	150	98	–	70	352
Released to income statement	(15)	(117)	–	–	–	(132)
Charged to income statement	–	28	194	200	12	434
Reclassified as held for sale	(19)	(28)				(47)
At 31 December 2021	–	33	292	200	82	607

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.

Onerous contract provisions have been recognised where forecast costs to complete estimate losses, the majority of which is expected to be recognised in the next one to three years.

The property provision recognises future costs of building dilapidations arising under the terms of property leases expiring over the next 11 years.

25. Share capital

	2021 Number	2020 Number	2021 £'000	2020 £'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 one pence each.

All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of TP Group plc. None of the Parent Company shares are held by any company in the Group. The Employee Benefit Trust holds shares in the Parent Company as set out in note 27.

26. Share-based payments

All of the Group's existing share option schemes had expired by the end of 2020. The remaining granted options remain live until they are either cancelled or lapse in line with the rules of the scheme. Share options have been granted by the Parent Company. 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 2021	17,602,362	6,163,883	23,766,245
Granted during the year	23,375,361	–	23,375,361
Lapsed during the year	(7,760,037)	(1,428,571)	(9,188,608)
Cancelled during the year	(4,418,485)	(750,000)	(5,168,485)
At 31 December 2021	28,799,201	3,985,312	32,784,513

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 2021, 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:

	2021 Weighted average exercise price (pence)	2021 Number of options	2020 Weighted average exercise price (pence)	2020 Number of options
At 1 January	7.06	23,766,245	6.85	46,293,461
Lapsed during the year	7.00	(9,188,608)	7.90	(20,527,216)
Cancelled during the year	7.05	(5,168,485)	6.72	(2,750,000)
Granted during the year	5.80	23,375,361	6.13	750,000
At 31 December	6.17	32,784,513	7.06	23,766,245
Exercisable at 31 December	6.14	30,809,243	7.20	13,973,848

On 30th September 2021, the Company issued a warrant for 23,375,361 shares to Cenkos Securities Plc as consideration for professional services. The fair value of the warrant has been estimated in line with the cost of similar services provided to the business.

No share options were exercised during the year (2020: none). The options outstanding at 31 December 2021 had exercise prices as shown in the following table and a weighted average remaining contractual life of 6.07 years.

At 31 December 2021, options over ordinary one pence 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 2021 was 4.70 pence and the range during the year was between 3.18 pence and 7.30 pence.

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 £164,000 and £98,000 related to equity-settled share-based payment transactions in 2021 and 2020 respectively. The expense recognised in respect of the warrant issued has been calculated in line with the fair value of the services provided, had they been settled in cash.

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
2017	1,425,818	7.00	7.25	56.89	0.66	3.26
2017	2,650,000	7.00	7.25	56.89	0.66	3.57
2018	750,000	6.50	6.50	56.89	0.66	3.57
2019	2,000,000	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
2021	23,375,361	5.80	5.35	48.30	0.70	3.23
	32,784,513					

Options granted up to and including 2020 expire ten years after the date of grant. The warrants issued in 2021 expire five 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2021 CONTINUED

27. Employee Benefit Trust

The Employee Benefit Trust was terminated on 12 August 2021.

The Trust held 1,606,769 shares £0.01 each in the capital of the Company and had liabilities amounting to £600,000 in the form of a loan from the Company to the Trust. The Company had impaired the loan in line with the market value of the shares at 31 December 2020. Net funds received from the sale of the shares were deducted from the loan balance.

28. Contingent liabilities

As part of the Group's long-term contract trading activities, £366,000 of performance and warranty bonds (2020: £215,000) have been issued to two customers. Of this amount £nil has been cash backed (2020: £6,000) by the Group's cash resources and this balance sat within prepayments and other debtors.

29. Related party transactions

Key management personnel are represented by the Board of Directors, as shown on page 14.

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 24 to 25.

As noted in the Director Remuneration report Martyn Ratcliffe is the largest shareholder in Science Group plc with 20.73%. Peter Bertram is a Non-executive Director of Science Group plc.

On 16 December 2021 the Company entered into a standby credit facility with its major shareholder Science Group plc. Martyn Ratcliffe and Peter Bertram recused themselves from this process due to a conflict of interest. The facility takes the form of a Revolving Credit facility of a sum up to £5 million for a period to 30 September 2023. The terms of the facility, which reflect the unsecured standby revolving nature of the arrangement, include a set-up fee of 3%, interest rate on drawn amounts of 1% per month and a rate of 0.4% per month of any undrawn amount, both subject to the Sterling Overnight Index Average remaining below 1%. The facility can be cancelled or refinanced by TP Group at any time and without penalty or early termination charges. The full £5m remains undrawn at 31 December 2021.

An interim management support service agreement was entered into with Science Group plc on 14th February 2022. Costs for the services provided are £50,000 per quarter.

The Parent Company applies the exemptions provided for under FRS 101 not to disclose transactions with wholly owned subsidiaries during the 2021 financial year.

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

30. Exchange rates

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

	2021	2020
Average Exchange Rate for the year[1]		
Euro	**1.16**	1.13
Closing rate on 31 December[1]		
Euro	**1.19**	1.11

[1] Average rates are used to translate the Income Statement and Cash Flow Statement. Closing rates are used to translate the Balance Sheet. Only the most significant currencies are shown.

31. Controlling parties

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

32. Prior period adjustment

Following an intensive review of contracts within the TPG Maritime business, it was found that forecast costs to completion estimates were understated and contractual transaction prices were overstated as they did not include provision of late delivery penalties where required under IFRS 15 at 31 December 2020. The above resulted in an overstatement of contract revenue-to-date at 31 December 2020. Management considers this to be a material error in line with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (paragraphs 41-43) and have corrected the prior period in line with the requirements of the standard.

The principal accounting adjustments impacts on:

- Increase in forecast costs to completion on contracts. Revenue is recognised overtime in line with IFRS 15 Revenue Recognition using the input cost method. The increase in costs to completion has reduced revenue to be recognised for the financial year ended 31 December 2020. The reduction in revenue reduces the amounts recoverable from the customer at the reporting date.
- Inclusion of late delivery penalties existing within contractual terms. As above, revenue is recognised over time in line with IFRS 15. The impact of late delivery penalties reduces the amount of revenue to be recognised at the reporting date.
- The increase in forecast costs to completion and late delivery penalties has resulted in the requirement to recognise onerous contract provisions. The impact of the onerous contract provisions increases provisions at the reporting date.

No Statement of financial position at 31 December 2019 has been presented in accordance with IAS 1 Presentation of Financial Statements as there was no material impact on the balance sheet at that date.

The impact on figures originally reported in the financial statements for the year ended 31 December 2020 is shown below.

	2020 as originally stated £'000	Adjustment in respect of discontinued operations £'000	Prior period adjustment £'000	2020 restated £'000
Income statement:				
Revenue from continuing operations	59,045	(18,172)	(2,200)	38,673
Cost of sales	(43,368)	13,763	(562)	(30,167)
Gross profit from continuing operations	**15,677**	**(4,409)**	**(2,762)**	**8,506**
Administrative expenses	(20,518)	8,724	–	(11,794)
Operating loss from continuing operations	**(4,841)**	**4,315**	**(2,762)**	**(3,288)**
Loss before taxation	**(5,178)**	**4,351**	**(2,762)**	**(3,589)**
Taxation	196	(205)	–	(9)
Loss after tax from continuing operations	**(4,982)**	**4,146**	**(2,762)**	**(3,598)**
Statement of financial position:				
Amounts due from contract customers	9,388	–	(1,997)	7,391
Total current assets	**28,684**	**–**	**(1,997)**	**26,687**
Total assets	**61,211**	**–**	**(1,997)**	**59,214**
Trade and other payables	(13,925)	–	(464)	(14,389)
Amounts due to contract customers	(5,351)		(203)	(5,554)
Total current liabilities	**(19,885)**	**–**	**(667)**	**(20,552)**
Provisions	(254)	–	(98)	(352)
Total non-current liabilities	**(14,334)**	**–**	**(98)**	**(14,432)**
Total liabilities	**(34,219)**	**–**	**(765)**	**(34,984)**
Net assets	**26,992**	**–**	**(2,762)**	**24,230**
Retained earnings	**131**		**(2,762)**	**(2,631)**

33. Subsequent events

On 31 March 2022, the Group sold its Northstar autonomous navigation software to QinetiQ Limited, a subsidiary of QinetiQ Group PLC, for a cash consideration of c.£0.6m. The disposal resulted in the Northstar software, and its development team, being transferred to QinetiQ Group PLC effective 1 April 2022.

On 12 July 2022 the Group announced the disposal of the entire issued share capital of Sapienza Consulting Holdings BV to Serco Holdings Limited (a wholly owned subsidiary of Serco Group plc) for a cash consideration of c.€3.2m. On completion c.£1m of the c.£2m net proceeds was used to part repay the Group's £7m loan facility with HSBC Bank Plc thereby reducing it to c.£6.0m.

Company Information

Company Number
3152034

Directors
M Ratcliffe – Chairman
D Stroud – Chief Financial Officer
D Lindsay – Non-executive Director
P Bertram – Non-executive Director

Secretary
D Stroud

Registered Office
Cale House
Station Road
Wincanton
England
BA9 9FE

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

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

TP Group plc
Cale House
Station Road
Wincanton
England
BA9 9FE
United Kingdom

tel: +44 (0)1753 285800
email: enquiries@tpgroup.uk.com

www.tpgroupglobal.com