11 September 2018

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

Unaudited interim results for the six months ended 30 June 2018

Delivering the growth strategy

TP Group (AIM: TPG), the specialist services and engineering group, today announces its unaudited interim results for the six months ended 30 June 2018.

Financial highlights

- Revenue up 52% to £16.0m (H1 2017: £10.5m)[1]
- Operating loss reduced to £0.7m (H1 2017 operating loss: £1.0m)[1,3]
- Adjusted operating profit grew to £0.9m (H1 2017: £0.1m)[1,2,3]
- Order intake of £29.5m was 8% up on prior year (H1 2017: £27.4m)
- Closing order book up 31% to £56.5m (31 December 2017: £43.0m)
- Cash balance of £21.0m (31 December 2017: £21.9m)

Operational highlights

- Converted £14.5m of orders from previously signed framework agreements for atmosphere management systems
- First contracts signed through the Enterprise Technical Alliance
- Opened the Advanced Manufacturing Centre in Manchester and commenced deliveries of first precision-machined components to customers
- Ongoing progress on strategic priorities:
    - Technology & Engineering teams continuing to focus on delivering complex packaged equipment
    - Continuing to build presence in intelligence and secure communications systems
    - Developing Artificial Intelligence technologies – opening new markets in intelligence processing and unmanned systems for military and civil use
    - Establishing American, Australian and European partners to broaden our technology and service offerings
    - Strengthened senior commercial management with appointments from major prime contractors
    - Ongoing commitment to add capability, capacity and customers through acquisitions

Following a strong start to the year, the business is on track to deliver full year performance in line with market expectations.

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

"We have had a very productive and successful period across the business. The team has converted many new business opportunities, cemented links with established and loyal customers, whilst also reviewing several acquisition opportunities.

"Our focus and reputation in our core markets has led to our largest ever order book which positions us well for the second half of the year. The management layer that supports the Board is performing well and the acquired companies are making positive contributions to our success.

"I look forward to updating the market on further developments as they materialise and remain confident in the Group's prospects for the rest of 2018 and beyond."

Notes:

[1] Comparatives for the period to 30 June 2017 and financial year ended 31 December 2017 have been restated in line with the requirements of IFRS 15. For further disclosure, please see note 2 to these unaudited interim financial statements.

[2] 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, any other acquisition-related charges, share based payment charges and non-operating costs. Non-operating costs are those items believed to be exceptional in nature by virtue of their size and or incidence. The directors of the Company believe this measure is more reflective of the underlying performance of the Group than equivalent GAAP measures. This is primarily due to the exclusion of non-cash items, such as share-based payments, impairment, depreciation and amortisation, as well as non-operating costs. This provides shareholders and other users of the financial statements with the most representative year-on-year comparison of operating performance. This measure and the separate components remain consistent with 2017. Non-operating costs to 30 June 2018 comprise restructuring costs at the Manchester and Wincanton sites, and the Group's head office.

[3] The Group adopted IFRS 16 from 1 January 2018 and recognised the cumulative effect at this date in accordance with IFRS16: C7 to C13. For further details, please refer to note 2 of these unaudited interim financial statements.

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Notes to Editors

TP Group designs and develops advanced technologies, engineers complex equipment and systems, and provides support throughout their operational life. The Company's shares have been traded on AIM since July 2001.

Business Review

The Group is pleased to report a strong set of results for the first six months of 2018, delivering on our strategic growth initiatives as communicated to investors in 2017.

We have continued to align the internal structure and reporting lines to reflect our core business and capabilities, operating across two complementary business streams:

- **Consulting and Programme Services ("CaPS")** – the provision of know-how and experience to add value in large and complex enterprises. Previously reported as TPG Services.
- **Technology & Engineering ("T&E")** - the design, manufacture, installation and support of complex equipment. Previously reported as TPG Engineering.

We started the year with an order book of £43.0 million, and are pleased to report that our team has added £29.5 million in new contracts in the period. Whilst revenue was up 52% on the same period last year, we secured almost twice the revenue figure in new orders, and so have ended the half-year with an order book totalling £56.5 million, which supports the Board's confidence in the business.

Group order intake grew by 8% to £29.5 million (H1 2017: £27.4 million), with T&E capturing 67% of that at £19.8 million (H1 2017: £23.4 million) and CaPS signing £9.7 million (H1 2017: £4.0 million). The CaPS share of order intake has grown from 15% to 33% and illustrates how the Group is becoming a more balanced business.

The order book increased to £56.5m, up 31% from the 31st December 2017 position of £43.0m. This significant increase was across both business streams, with T&E closing the period at £48.7 million (31 December 2017: £39.9 million) and CaPS at £7.8 million (31 December 2017: £3.1 million).
Revenue increased to £16.0 million (H1 2017: £10.5 million) with growth achieved in both T&E and CaPS business streams. T&E grew by 44% to £10.9 million and CaPS grew by 73% to £5.1 million. Our business is typically weighted into the second half of the year and so these results are even more noteworthy.

Central costs were stable in the first half at £0.5 million (H1 2017: £0.6 million). All costs associated with supporting the business units are fully allocated to them.

The Group's revenue growth, operational efficiency improvements and management of operating costs has fed through to further improvement in operating loss, which fell by £0.3 million to £0.7 million and adjusted operating profit, which increased to £0.9 million (H1 2017: £0.1 million)

The Group cash balance at 30 June 2018 was £21.0 million (31 December 2017: £21.9 million). Cash generated from operations of £0.2 million was offset by investment in capital equipment of £0.4 million, pay-down of finance leases of £0.4 million and settlement of year-1 earn-outs in relation to the acquisition of ALS Technologies Ltd amounting to £0.3 million.

Management views the underlying cash position to be positive and expects to retain a healthy cash balance at the year end, in line with market expectations.

Markets served

The Group focuses on four key verticals – defence, space, intelligence and communications, and energy. These sectors have consistent characteristics, complementary requirements and significant crossover in the customer base that the whole Group can contribute to.

Recent customer engagements have shown that national security and energy supply are critical to a safe and prosperous society.

To commit to this view, our declared mission is to “provide services and equipment when critical systems are needed to assure public and industry security and wellbeing.”

Each market sector is served as follows:

- **Defence** - TP Group provides and supports critical systems and equipment for platforms across air, land, sea and subsea domains.
- **Intelligence & Communications** - TP Group delivers critical systems and operational support to essential activities that gather intelligence, share it securely and act on it effectively.
- **Space** - TP Group provides solutions and support for space missions that are essential to our understanding of the world and the communications links we need around it.
- **Energy** - TP Group designs, builds and manages equipment packages that are essential to the reliable, safe and effective supply of energy resources world-wide.

The bulk of our business remains in our core defence market and through our key relationships. This provides a stable platform which is managed for maximum value and organic growth, whilst expansion into new programmes, customer communities and markets is achieved by a dedicated team with specialist methods and know-how.

Technology and Engineering

The T&E team have been actively developing a common proposition centred on complex packaged equipment. This gathers together the design, build and operation of complete systems, including elements of fabrication, electronics, controls and infrastructure that were previously bought-in or supplied to the customer by others. This specifically adds value to our proposition in the energy market to position us for higher value integrated systems in that sector.

In our core submarine activity, we were pleased to have converted more of the UK framework contracts for submarine equipment into firm orders worth £12.5 million for oxygen generation systems, announced in May. This sits alongside our overseas development in this area, which was recognised by a framework agreement with Naval Group in France that has in turn led to an initial firm order for £2 million of atmosphere management equipment.

In Manchester, there was significant focus on working with our key accounts such as PetroIneos and Ineos Chemicals. We have enjoyed a long history with these customers and support them through their maintenance and refurbishment cycles because in many cases we supplied the original equipment. In the first half of this year, we signed contracts for through-life support work worth 34% of the Manchester order intake.

Similar to the Manchester approach, in addition to the established new-build work on submarine programmes, we have extended our propositions towards life extensions and refurbishment of installed equipment. In January, we announced a £0.9 million contract to overhaul an installed system, and we anticipate that this will become an increasingly important part of our business. Submarine service lives are being extended alongside the introduction of new platforms by many national defence forces and our through–life support proposition was founded to support this trend. We believe we are well placed to benefit from this opportunity.

As noted in the Annual Report and Financial Statements for the year ended 31 December 2017, the directors completed the disposal of the trade and assets of our low-end fabrication activity, based in Oldham, Lancashire, under a management buy-out. The disposal completed on 30 April 2018 for total consideration of £0.3 million payable over a term of three years.

Consulting and Programme Services

The CaPS business has built upon established positions in major programmes and successfully captured new customers through a flexible and growing range of systems engineering and project assurance services.

This has produced good results with a 12 month extension of the existing work with Army Headquarters on the LE TacCIS programme, worth up to £1.2 million, with the potential to reach £2.3 million over 2 years.

The Group has also signed a three year agreement to deliver information assurance services to a UK Government agency with a value of c. £0.7 million in year one, and with options for two further years that could take the total contract value to c. £2.0 million. This work is significant as it extends the Group's secure communications capability and applies it in a consistent way into a non-MoD department.

The CaPS team has also benefited from the acquisition of Polaris Consulting ("Polaris") at the end of 2017. This has brought new capabilities in operational analysis, project controls and artificial intelligence systems, alongside complementary relationships across the MoD and industrial prime contractors.

Acquisitions

Our acquisition process continues to be active as our senior team review a pipeline of opportunities, whilst maintaining a level of caution based upon the suitability and value of acquisition targets. We have evaluated opportunities in terms of fit to our existing business, alignment with our plans, scale, growth potential, customer base, culture, and management valuation. At present, we are in discussions with prospects involved in the supply of ruggedised military systems, project software systems and space mission support services.

Innovations

Technology development and diversification has been a key focus in recent months. In March 2018 we announced a £0.8 million order for next generation carbon dioxide management equipment. This is a result of our internal technology development initiatives, complemented by the partnership with American specialists Micropore, announced in May.

Polaris is active in developing innovative Artificial Intelligence ("AI") solutions. As a demonstration of the value added through our acquisition strategy, the Polaris team has worked with other Group resources to respond to emerging requirements for the routing of unmanned vessels on hazardous missions. The result is a multi-party proposition involving end-users and industrial partners. This work opens up many opportunities across unmanned and manned applications in the military and commercial sectors.

New commercial business models have also been introduced, with contracts worth a combined £1.8 million won under the new Enterprise Technical Alliance ("ETA"). This TP Group initiative brings together a number of Small/Medium Enterprises to deliver agile, responsive and independent contracting services. This enables us to work collaboratively to deliver value for money solutions across small and large-scale support requirements.

The initiative is gaining traction with the MoD as well as other technical specialists wishing to join the team. We have since been invited by the Government to discuss more widespread use of the ETA, and tier-1 prime contractors are also seeking to use this mechanism to strengthen their own propositions through the addition of small technical specialists within their project teams.

We believe that the market in which our CaPS business operates is driven by relationships and reputation, and this growth tells us that we are becoming a strong player in this area. The ETA framework provides a very effective route to market to build further on this position.

Investment

Internal investment was focused on enhancing manufacturing capability and in strengthening the sub-Board management layer to achieve our growth targets. Modernising the Manchester factory has led, amongst other things, to the opening of the Advanced Manufacturing Centre in February. This is now fully utilised to support the delivery of complex static equipment projects, and also to bring in specialist component machining work to fill capacity gaps. These are proving to be most valuable as they demonstrate our capability and standards to new clients and open discussions about larger projects in other sectors beyond our traditional base.

In addition to investment in restructuring the senior business development team, the Group has committed new resources to quality management and compliance management to ensure that we keep pace with the stringent regulations in the markets we serve. This has two effects; firstly, it eases the delivery load with a focus on doing things well, once and in line with the customer's expectations. Secondly, it acts as a competitive advantage as not all of our peers can work to these standards.

International markets

Outreach to international markets, customers and programmes has received increasing focus, with visits to Australia, South-East Asia and the United States. Through these initiatives, our executives are building a presence in those regions, generating links to future equipment programmes and exploring partnership opportunities with local businesses at a corporate level.

Our ambitions in the United States have been boosted through the registration of a local branch company in Washington D.C. which facilitates our engagement with a range of partners and programmes there. Discussions have commenced with a number of strategic partners on matters relating to intelligence services and technology transfer opportunities, as demonstrated by the partnership agreement with Micropore.

Management restructuring

In February, Simon Kings stepped down as an executive director and left the Group. The Board has restructured and strengthened the business development and key account management activities with two appointments to the senior management team from large prime contractors. James Norwood joined as Corporate Development Director in May and brought experience from the tier-one contractor world with access to several large-scale opportunities in the defence and energy sectors. David Lomax has subsequently joined from BAE Systems as Key Accounts Director to drive cross-Group support to our primary relationships that have previously relied upon single points of contact within the relevant delivery teams.

Outlook

Against this backdrop of a very active first half year, the Board remains confident in its outlook and ability to deliver against its strategy.

Phil Cartmell
10 September 2018

Condensed consolidated statement of comprehensive income

	Unaudited[3] Six months ended 30 June 2018	Unaudited[1] Six months ended 30 June 2017	Audited[1] Year ended 31 December 2017
	£'000	£'000	£'000
Revenue	15,976	10,488	27,915
Cost of sales	(11,717)	(7,466)	(20,121)
Gross profit	4,259	3,022	7,794
Distribution costs	(92)	(103)	(67)
Administrative expenses	(4,873)	(3,876)	(8,693)
Operating loss	(706)	(957)	(966)
Adjusted operating profit[2]	929	75	2,148
Depreciation[5], amortisation and impairment	(1,059)	(615)	(1,842)
Change in fair value of contingent consideration	222	-	-
Acquisition related costs[4]	(164)	(89)	(242)
Non-operating costs[2]	(597)	(305)	(655)
Share based payments	(37)	(23)	(375)
Operating loss	(706)	(957)	(966)
Net finance costs	(94)	-	(65)
Loss before income tax	(800)	(957)	(1,031)
Income tax credit/(charge)	85	(28)	(122)
Total comprehensive loss for the period attributable to shareholders	(715)	(985)	(1,153)
Loss per share expressed in pence per share	Pence	Pence	Pence
Basic and diluted loss per share	(0.09)	(0.23)	(0.15)

All results relate to continuing activities.

1 Comparatives for the period to 30 June 2017 and financial year ended 31 December 2017 have been restated in line with the requirements of IFRS 15. For further disclosure, please see note 2 to these unaudited interim financial statements.

2 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, any other acquisition-related charges, share based payment charges and non-operating costs. Non-operating costs are those items believed to be exceptional in nature by virtue of their size and or incidence. The directors of the Company believe this measure is more reflective of the underlying performance of the Group than equivalent GAAP measures. This is primarily due to the exclusion of non-cash items, such as share-based payments, impairment, depreciation and amortisation, as well as non-operating costs. This provides shareholders and other users of the financial statements with the most representative year-on-year comparison of operating performance. This measure and the separate components remain consistent with 2017.

Non-operating costs in the six months to 30 June 2018 comprise restructuring costs at the Manchester and Wincanton sites, and the Group head office.

3 The Group adopted IFRS 16 from 1 January 2018 and recognised the cumulative effect at this date in accordance with IFRS16: C7 to C13. For further details, please refer to note 2 of these unaudited interim financial statements.

4 Acquisition related costs consist of £19,000 in relation to acquisitions completed in 2017 and £145,000 related to ongoing acquisition opportunities.

5 Depreciation expense includes the depreciation of property, plant and equipment and right-of-use assets.

Condensed consolidated statement of financial position

	Unaudited[2] 30 June 2018 £'000	Unaudited[1] 30 June 2017 £'000	Audited[1] 31 December 2017 £'000
ASSETS			
Non-current assets			
Goodwill	4,386	3,918	4,386
Other intangible assets	11,102	10,298	11,759
Property, plant and equipment	2,311	1,053	2,126
Right-of-use assets	4,078	-	-
Deferred taxation	-	129	-
	21,877	15,398	18,271
Current assets			
Inventories	5,865	7,171	6,542
Trade and other receivables	10,341	6,580	12,198
Taxation recoverable	-	-	10
Cash and bank balances	21,046	6,749	21,931
	37,252	20,500	40,681
Total assets	59,129	35,898	58,952
LIABILITIES			
Current liabilities			
Trade and other payables	(16,077)	(18,229)	(19,110)
Obligations under hire purchase and lease contracts	(778)	-	(211)
	(16,855)	(18,229)	(19,321)
Non-current liabilities			
Deferred taxation	(1,334)	(1,081)	(1,425)
Obligations under hire purchase and lease contracts	(4,783)	-	(747)
Provisions	(534)	(673)	(561)
	(6,651)	(1,754)	(2,733)
Total liabilities	(23,506)	(19,983)	(22,054)
Net assets	35,623	15,915	36,898
EQUITY			
Share capital	7,586	4,225	7,586
Share premium	17,438	-	17,438
Own shares held by EBT	(561)	(561)	(561)
Share-based payments reserve	1,590	1,201	1,553
Retained earnings	9,570	11,050	10,882
Total equity	35,623	15,915	36,898

1 Comparatives for the period to 30 June 2017 and financial year ended 31 December 2017 have been restated in line with the requirements of IFRS 15 and the re-measurement of the provisional accounting on the acquisition of Polaris Consulting (Holdings) Limited. For further disclosure, please see note 2 to these unaudited interim financial statements.

2 The Group adopted IFRS 16 from 1 January 2018 and recognised the cumulative effect at this date in accordance with IFRS16: C7 to C13. For further details, please refer to note 2 of these unaudited interim financial statements.

Condensed consolidated statement of changes in equity

	Share capital	Share premium	Own shares held by EBT	Share-based payments reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Six months to 30 June 2018						
Balance at 1 January 2018	7,586	17,438	(561)	1,553	10,882	36,898
IFRS 16 cumulative adjustment[1]	-	-	-	-	(597)	(597)
IFRS 2 share option credit	-	-	-	37	-	37
Total comprehensive loss for the period	-	-	-	-	(715)	(715)
Balance at 30 June 2018	7,586	17,438	(561)	1,590	9,570	35,623
Six months to 30 June 2017						
Balance at 1 January 2017	4,225	-	(561)	1,178	14,821	19,663
IFRS 15 restatement[2]	-	-	-	-	(2,786)	(2,786)
Balance at 1 January 2017 restated	**4,225**	**-**	**(561)**	**1,178**	**12,035**	**16,877**
IFRS 2 share option credit	-	-	-	23	-	23
Total comprehensive loss for the period	-	-	-	-	(985)	(985)
Balance at 30 June 2017	4,225	-	(561)	1,201	11,050	15,915
Year to 31 December 2017						
Balance at 1 January 2017	4,225	-	(561)	1,178	14,821	19,663
IFRS 15 restatement[2]	-	-	-	-	(2,786)	(2,786)
Balance at 1 January 2017 restated	**4,225**	**-**	**(561)**	**1,178**	**12,035**	**16,877**
Share issue	3,361	17,438	-	-	-	20,799
IFRS 2 share option credit	-	-	-	375	-	375
Total comprehensive loss for the year	-	-	-	-	(1,153)	(1,153)
Balance at 31 December 2017	7,586	17,438	(561)	1,553	10,882	36,898

1 The Group adopted IFRS 16 from 1 January 2018 and recognised the cumulative effect at this date in accordance with IFRS16: C7 to C13. For further details, please refer to note 2 of these unaudited interim financial statements.

2 Comparatives for the period to 30 June 2017 and financial year ended 31 December 2017 have been restated in line with the requirements of IFRS 15 and the re-measurement of the provisional accounting on the acquisition of Polaris Consulting (Holdings) Limited. For further disclosure, please see note 2 to these unaudited interim financial statements.

Condensed consolidated statement of cash flows

	Unaudited[2] Six months ended 30 June 2018 £'000	Unaudited[1] Six months ended 30 June 2017 £'000	Audited[1] Year ended 31 December 2017 £'000
Operating activities			
Loss before income tax	(799)	(957)	(1,031)
Adjustments for:			
Depreciation, amortisation and impairment	1,059	615	1,842
Finance expense	93	-	65
Share-based payment expense	37	23	375
Increase in inventories	677	(2,785)	(2,106)
Increase in trade and other receivables	1,855	(145)	(5,763)
Increase in trade and other payables	(2,462)	2,714	2,828
Decrease in provisions	(27)	(428)	(540)
	433	(963)	(4,330)
Income tax (paid) / received	(200)	60	(87)
Net cash generated from / (used in) operating activities	233	(903)	(4,417)
Investing activities			
Interest received	33	-	14
Purchase of property, plant and equipment	(371)	(450)	(908)
Purchase of computer software	(2)	(18)	(47)
Acquisition of subsidiary, net of cash acquired	-	(1,037)	(2,564)
Acquisition of subsidiary – payment of earn-out	(299)	-	-
Net cash used in investing activities	(639)	(1,505)	(3,505)
Financing activities			
Proceeds from issue of ordinary share capital	-	-	20,799
Interest payable	(126)	-	(26)
Repayment of hire purchase and lease liabilities	(353)	(3)	(80)
Net cash from financing activities	(479)	(3)	20,693
Net (decrease) / increase in cash and cash equivalents	(885)	(2,411)	12,771
Cash and cash equivalents at the beginning of the period	21,931	9,160	9,160
Cash and cash equivalents at the end of the period	21,046	6,749	21,931

1 Comparatives for the period to 30 June 2017 and financial year ended 31 December have been restated in line with the requirements of IFRS 15 and the re-measurement of the provisional accounting on the acquisition of Polaris Consulting (Holdings) Limited. For further disclosure, please see note 2 to these unaudited interim financial statements.

2 The Group adopted IFRS 16 from 1 January 2018 and recognised the cumulative effect at this date in accordance with IFRS16: C7 to C13. For further details, please refer to note 2 of these unaudited interim financial statements.

Notes to the condensed set of unaudited interim financial statements

1. Nature of operations

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

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

The Group consists of two interlinked business streams:

- **Consulting and Programme Services ("CaPS")** – the provision of know-how and experience to add value in large and complex enterprises. Previously reported as TPG Services.
- **Technology & Engineering ("T&E")** - the design, manufacture, installation and support of complex equipment. Previously reported as TPG Engineering.

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

Central unallocated costs are specific costs associated with the Group's AIM listing and other Group operational costs that are not charged out to the operating companies.

The condensed consolidated unaudited interim financial statements are presented in pounds sterling, which is also the functional currency of the Parent Company, and all values are rounded to the nearest thousand pounds except when otherwise indicated.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2017, prepared under IFRS as adopted by the EU, have been delivered to the Registrar of Companies. The auditor's report on the 2017 financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

The condensed consolidated unaudited interim financial statements were approved for issue by the Board of Directors on 10th September 2018.

2. Basis of preparation

These condensed consolidated unaudited interim financial statements are for the six months ended 30 June 2018.

These condensed consolidated unaudited interim financial statements have been prepared under the historical cost convention using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union. Excluding the adoption in year of IFRS 15, IFRS 16 and IFRS 9 the accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. While the financial figures included in this half-yearly report have been computed in accordance with IFRS applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34.

Going concern

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

Changes in accounting policies

The Group has adopted IFRS 15 retrospectively and prior period financial statements have been restated accordingly. The financial impact to comparative periods on adoption of these standards is described below.

The adoption of IFRS 9 has no material impact to the current or prior period financial statements.

The Group adopted IFRS 16 early. Rather than apply IFRS 16 retrospectively in accordance with IAS 8, the Group is permitted to apply IFRS 16:c5(b) under which comparative information is not restated. The Group has recognised the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at 1 January 2018, the date of initial application. A right-of-use asset valued at £4.1m was recognised at 1 January 2018, with an opening lease liability of £4.7m and a cumulative loss of £0.6m. A depreciation expense of £0.2m and an interest expense of £0.1m for the six months to 30th June 2018 has been recognised, replacing the operating expense in respect of rental payments of £0.3m. The net impact is a £0.1m reduction in operating loss and a £0.3 improvement in adjusted operating profit for the six months to 30th June 2018.

In the current financial year the Group has adopted IFRS 15 Revenue from Contracts with Customers. The Group has elected to restate comparative information from prior periods upon adoption of IFRS 15 and has applied the practical expedient under which contracts which began and ended in 2017 or that were completed prior to 1st January 2017 are not restated.

Notes to the condensed set of unaudited interim financial statements

2. Basis of preparation (continued)

Re-measurement of accounting for acquisition of Polaris Consulting (Holdings) Limited

In 2018 the Group finalised its accounting for the acquisition of Polaris Consulting (Holdings) Limited and since finalising the consolidated financial statements for the year ended 31 December 2017 further information has arisen requiring a revision to the provision accounting disclosed.

The tables below show the effect of IFRS 15 and re-measurement of the acquisition accounting for Polaris Consulting (Holdings) Limited on the balance sheet as at 30th June 2017 and 31st December 2017, and the effect on the income statement for the six month period ended 30th June 2017 and the year ended 31st December 2017.

Consolidated statement of financial position (extract)
At 31 December 2017

	As previously reported	IFRS 15 reclassifications	Fair value revision of identified assets and liabilities acquired	Restated
	£'000	£'000	£'000	£'000
Non-current assets				
Goodwill	4,170	-	216	4,386
Current assets				
Inventories	230	6,312	-	6,542
Trade and other receivables	13,798	(1,600)	-	12,198
Total assets	**54,024**	**4,712**	**216**	**58,952**
Current liabilities				
Trade and other payables	(10,962)	(7,932)	(216)	(19,110)
Total liabilities	**(13,906)**	**(7,932)**	**(216)**	**(22,054)**
Net assets	**40,118**	**(3,220)**	**-**	**36,898**
Equity				
Retained earnings	14,102	(3,220)	-	10,882
Total equity	**40,118**	**(3,220)**	**-**	**36,898**

Consolidated statement of financial position (extract)
At 30 June 2017

	As previously reported	IFRS 15 reclassifications	Fair value revision of identified assets and liabilities acquired	Restated
	£'000	£'000	£'000	£'000
Current assets				
Inventories	540	6,631	-	7,171
Trade and other receivables	7,715	(1,135)	-	6,580
Total assets	**30,402**	**5,496**	**-**	**35,898**
Current liabilities				
Trade and other payables	(9,263)	(8,966)	-	(18,229)
Total liabilities	**(11,017)**	**(8,966)**	**-**	**(19,983)**
Net assets	**19,385**	**(3,470)**	**-**	**15,915**
Equity				
Retained earnings	14,520	(3,470)	-	11,050
Total equity	**19,385**	**(3,470)**	**-**	**15,915**

Notes to the condensed set of unaudited interim financial statements

2. Basis of preparation (continued)

Consolidated income statement (extract)
Year ended 31 December 2017

	As previously reported	IFRS 15 reclassifications	Fair value revision of identified assets and liabilities acquired	Restated
	£'000	£'000	£'000	£'000
Revenue	**29,460**	**(1,545)**	**-**	**27,915**
Cost of sales	(21,232)	1,111	-	(20,121)
Gross profit	**8,228**	**(434)**	**-**	**7,794**
Operating loss	**(532)**	**(434)**	**-**	**(966)**
Adjusted operating profit	**2,582**	**(434)**	**-**	**2,148**
Loss before income tax	**(597)**	**(434)**	**-**	**(1,031)**
Total comprehensive loss for the year attributable to shareholders	**(719)**	**(434)**	**-**	**(1,153)**
Basic and diluted loss per share	(0.09)	(0.06)	-	(0.15)

Consolidated income statement (extract)
Six months to 30 June 2017

	As previously reported	IFRS 15 reclassifications	Fair value revision of identified assets and liabilities acquired	Restated
	£'000	£'000	£'000	£'000
Revenue	**13,640**	**(3,152)**	**-**	**10,488**
Cost of sales	(9,933)	2,467	-	(7,466)
Gross profit	**3,707**	**(685)**	**-**	**3,022**
Operating loss	**(272)**	**(685)**	**-**	**(957)**
Adjusted operating profit	**760**	**(685)**	**-**	**75**
Loss before income tax	**(272)**	**(685)**	**-**	**(957)**
Total comprehensive loss for the period attributable to shareholders	**(300)**	**(685)**	**-**	**(985)**
Basic and diluted loss per share	(0.07)	(0.16)	-	(0.23)

Notes to the condensed set of unaudited interim financial statements

3. Segmental reporting

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

	T&E[2]	CaPS[2]	Central unallocated costs	Group
	£'000	£'000	£'000	£'000
Six months ended 30 June 2018				
Revenue	10,911	5,065	-	15,976
Operating profit / (loss)	471	(605)	(572)	(706)
Depreciation, amortisation and impairment	752	256	51	1,059
Change in fair value of contingent consideration	-	-	(222)	(222)
Acquisition related cost	-	-	164	164
Non-operating costs	476	107	14	597
Share based payments	-	-	37	37
Adjusted operating profit / (loss)[1]	1,699	(242)	(528)	929
Six months ended 30 June 2017				
Revenue	7,563	2,925	-	10,488
Operating profit / (loss)	370	(535)	(792)	(957)
Depreciation, amortisation and impairment	514	3	98	615
Acquisition related cost	-	-	89	89
Non-operating costs	-	305	-	305
Share based payments	-	-	23	23
Adjusted operating profit / (loss)[1]	884	(227)	(582)	75
Year ended 31 December 2017				
Revenue	22,149	5,766	-	27,915
Operating profit / (loss)	2,300	(1,223)	(2,043)	(966)
Depreciation, amortisation and impairment	1,602	10	230	1,842
Acquisition related cost	-	-	242	242
Non-operating costs	124	420	111	655
Share based payments	-	-	375	375
Adjusted operating profit / (loss)[1]	4,026	(793)	(1,085)	2,148

1 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, any other acquisition-related charges, share based payment charges and non-operating costs. Non-operating costs are those items believed to be exceptional in nature by virtue of their size and or incidence. The directors of the Company believe this measure is more reflective of the underlying performance of the Group than equivalent GAAP measures. This is primarily due to the exclusion of non-cash items, such as share-based payments, impairment, depreciation and amortisation, as well as non-operating costs. This provides shareholders and other users of the financial statements with the most representative year-on-year comparison of operating performance. This measure and the separate components remain consistent with 2017.

Non-operating costs in the six months to 30 June 2018 comprise restructuring costs at the Manchester and Wincanton sites, and the Group head office.

2 Following the refinement of the Group's strategy to manage the business along two distinct business units in 2017, the Group has subsequently renamed the business segments. "TPG Engineering" is now named "Technology and Engineering" ("T&E") and "TPG Services" named "Consulting and Programme Services" ("CaPS").

Notes to the condensed set of unaudited interim financial statements

4. Loss per share

The calculation of the basic loss per share is based on the loss after tax for the period divided by the weighted average number of shares in issue during the period as follows:

	Unaudited Six months ended 30 June 2018 number	Unaudited Six months ended 30 June 2017 number	Audited Year ended 31 December 2017 number
Weighted average shares in issue	756,959,084	420,857,956	756,959,084

The weighted average number of shares in issue has been reduced by deducting the weighted average number of shares held by the Employee Benefit Trust of 1,606,770 shares (six months ended 30 June 2017 and year ended 31 December 2017: 1,606,770 shares).

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