13 September 2016

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

Interim Report for the six months ended 30 June 2016

Strategy delivering improving profitability and clear growth prospects

TP Group (AIM: TPG), the specialist technology, engineering and managed solutions group, today announces its interim results for the six months ended 30 June 2016.

Financial highlights

- Revenue up 13% to £9.4m (H1 2015: £8.3m)
- Group adjusted EBITDA[1] improved to breakeven (H1 2015: loss of £1.0m)
- Net cash of £0.7m generated from operations (H1 2015: £2.0m consumed)
- Improved cash balance of £7.5m (31 December 2015: £7.0m)

Operational highlights

- Strategy to operate throughout the engineering life cycle with four interlinked business units is delivering results and growth opportunities
- TPG Maritime revenue up 40% compared to H1 2015 with a growing customer base and a wider offering to our current partners
- TPG Engineering is seeing accelerated order capture, improving backlog and growing pipeline, driven by the business unit's new management team
- TPG Managed Solutions appointed to four Government service framework agreements with resource under contract
- TPG Design & Technology successfully repositioned as a technical consulting and design services business
- Continuing to achieve cost efficiencies in project delivery and administration
- Appointment of Derren Stroud as Chief Financial Officer in March 2016

Outlook

- Pipeline of future sales opportunities has grown to c. £150m, including two significant single source contracts due to begin negotiations with the Ministry of Defence (MoD) totalling c. £50m.
- Strong H1 order capture by TPG Engineering at 40% above that achieved in H1 2015. This has created an order backlog of c. 4 months' activity (31 Dec 2015: c. 2 months) scheduled to be delivered before year-end
- Significant new opportunities in the UK, Europe, Far East and Australia, all with long-term business prospects
- Group performance provides confidence that the business will trade in line with 2016 market expectations

Commenting on the results, Chief Executive Officer, Phil Cartmell said:

"TP Group has delivered strong results in the first half of 2016. We have moved from loss making to breakeven with positive cash generation. We believe that further progress will follow in H2, and we expect to deliver significantly improved results in line with market forecasts.

"Our business operates in growing markets and has developed a strong reputation with our customers as a supplier of critical end-to-end engineering services with a pipeline of opportunities of c £150m.

"Operational management has been strengthened to align with our services and markets leading to improved project and business development performance.

"The Group, at last, is free of the obligations of legacy Oil & Gas R&D ventures. Costs have been controlled and cash collection enhanced providing a much more stable platform for future growth.

"In line with our acquisition strategy to complement both our services and market access, we are actively pursuing a number of opportunities that are expected to be accretive to earnings.

"After a strong start to the second half of the year, the Board is confident that the transformed business of TPG will deliver profit at the adjusted EBITDA[1] level in line with market expectations for 2016 and onward to sustainable profitability."

Notes

[1] Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation and impairment of acquired intangible assets and any other acquisition-related charges, share based payment charges and exceptional items. Exceptional items are those items believed to be exceptional in nature by virtue of their size and or incidence. Exceptional items in the period to 30 June 2016 comprise termination costs of £231k (2015: Exceptional items in 2015 comprised restructuring costs of £976k, including impairment of fixed assets £493k and termination costs of £146k).

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NOTES TO EDITORS

TP Group is a group of innovative UK based engineering companies, supplying technologies and support to global markets. 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.

Chief Executive's Review

The Group strategy declared in past reports has now been implemented with specific improvement initiatives that have together delivered the positive results announced today. The Group will continue on this path with a balanced business that:

- continues to improve operational effectiveness leading to higher profitability;
- focuses on major accounts to maximise value and expand service offerings within established relationships;
- links the business units to share capability most efficiently and add value through cross-selling; and
- enhances its product offering and market reach through acquisition

Financial Overview

The Group has delivered a move into profitability at an adjusted EBITDA[1] level in the first half, whilst achieving growth in our core markets.

Revenue grew to £9.4m (H1 2015: £8.3m). This is primarily due to a strong performance by TPG Maritime with effective conversion of a high value order backlog at the start of the year. Order book values fluctuate in the defence sector due to the infrequent timing of major contract awards. Recent announcements include the intent by the UK MoD to enter into two single source negotiations for supply and service contracts worth circa £50m over eight years. These are expected to be entered into in the second half or early in 2017, and build confidence in future workload.

Revenues in TPG Engineering were slightly down due to issues in the energy sector leading to a slow start to the year and weakness in the opening order book. Management focus on business development methods and personnel has returned a much improved performance.

TP Group's strong order intake in H1 2016 leaves the business in much better shape for the second half of the year, in line with our normal business profile which is typically weighted towards higher revenues in the second half.

The Group's overall revenue improvement and continued focus on cost control has resulted in this growth feeding directly into adjusted EBITDA[1]. Group adjusted EBITDA[1] therefore improved by £1.0m compared with the equivalent period last year to achieve breakeven (2015: £1.0m loss) in line with our objective to report profitability at an adjusted EBITDA[1] level in 2016.

The Group continues to develop new opportunities and has an active sales pipeline of circa £150m.

Central costs remained flat in the first half at £0.6m after exceptional items (H1 2015: £0.6m). All costs associated with supporting the four business units are fully allocated to them.

The Group cash balance at 30 June 2016 was £7.5m (31 December 2015: £7.0m). Cash generated in the first half from operations was £0.7m (H1 2015: £2.0m loss), reflecting our underlying focus on generating improved operational cashflow. Management expects to retain a healthy cash balance at the year end, in line with market forecasts.

TPG Maritime

The Company has built on its long standing relationship with the MoD with the award of an extension to the Submarine Air Purification equipment support contract in March 2016. This 12-month extension to an existing ten-year agreement is valued at an estimated £1.5 million over the period.

The business outlook is strengthened with the MoD’s intention to enter single source negotiations on two contracts announced in July and August for submarine equipment supply and support, together worth c. £50m. These negotiations demonstrate the long term value of our approach to through-life support on major equipment programmes. In addition, we have extended our global reach with new and established customers in South East Asia and in Europe as reported in recent contract announcements.

TPG Engineering

The Group took steps during the first half of the year to build a new management team and to continue to support business improvement initiatives. This included the appointment of Tony Clowrey as Head of Engineering and Nick Pilditch as Sales Director. Both Tony and Nick have a wealth of experience in the sector and have brought this to bear very quickly, delivering rapid improvement in order capture and overall business efficiency.

The Group has invested in the Dukinfield site, with the installation of an advanced paint line facility. This allows the business to bring previously subcontracted finishing work in-house and to add high quality finishing to our extensive fabrication offer. We can now offer high added-value services across a wide range of markets and applications. Further investment in the factory was made as part of our continuous improvement campaign to improve product quality, working environment and reduce costs.

The business has also built upon its relationship with the Nuclear Advanced Manufacturing Research Centre (NAMRC) to enhance technical and manufacturing methods and develop new service offerings into markets such as nuclear power. This work is already generating additional enquiries and business development activity.

TPG Design & Technology

The long standing relationship with Spirax-Sarco Engineering plc remains strong and TPG has delivered the final assembly and testing of a batch of pre-production units for end-user trials.

Work on the European Cryohub programme continues and the next delivery of the American gas let-down expander project is expected in the second half of this year.

The technical team has also been responding to numerous enquiries for advanced turbomachines, with discussions in progress for renewable energy, upstream production, distribution and power applications in Europe and Australia.

TPG Managed Solutions

The Managed Solutions team has built upon its position within the UK Government’s Functional and Technical Services framework (FATS5) to develop a significant pipeline of opportunities to place specialist resources into technical programmes in defence and other public programmes. This was rewarded with the first resource contract being placed during H1 2016, and a number of other contracts currently in negotiation. These contracts are significant as they place TPG resources within the customer site operations and provides a very effective link to future business opportunities.

During the period, TPG has also been admitted to other frameworks including:

- Niteworks, the MoD-Industry technical partnership;
- The G_Cloud procurement framework to connect government bodies with support in cloud technology and other specialist services for digital projects;

- The R_Cloud framework for science and technology research; and
- Bluelightworks, the community supporting procurement and process improvement for the emergency services.

Strategy and Outlook

The Group is now in an extremely robust position with two major defence contracts about to enter negotiation for which TPG is, we understand, the sole supplier. Securing both contracts would lead to even greater long term revenue visibility for TPG Maritime. In addition, we are building momentum in resource provision to defence customers through TPG Managed Solutions whilst pursuing equipment service opportunities with both defence and commercial customers.

TPG Engineering continues to develop its market position with enhanced capability and competitive positioning leading to an accelerated customer conversion rate. The appointment of a new management team has resulted in further strategic progress with qualification for large-scale projects and opportunities in nuclear and conventional power facilities. In the energy markets, TPG Design & Technology is working on a growing pipeline of opportunities.

The pipeline of future business reflects our increasingly productive collaboration with major partners to open new opportunities in global, high value sectors. In addition, all business units are increasing their exposure to new activities through increased cross-selling and referrals across the Group, enabling all four business units to take advantage of TPG's world class customer base.

The overall result is a more capable, focused and coordinated business that is demonstrating its ability to deliver growth and move into profitability whilst attracting a sales pipeline of future business opportunities, currently valued at approximately £150m. The Board is confident that this momentum and strategic focus will enable the Group to deliver on its objectives and greatly enhance shareholder value.

Phil Cartmell
Chief Executive Officer
12 September 2016

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2016	Unaudited Six months ended 30 June 2015	Audited Year ended 31 December 2015
	£'000	**£'000**	**£'000**
Revenue	**9,363**	8,340	20,446
Cost of sales	**(6,878)**	(6,161)	(14,834)
Gross profit	**2,485**	2,179	5,612
Distribution costs[1]	**(188)**	(143)[2]	(304)
Research and development costs	**(12)**	(51)	(76)
Administrative expenses	**(3,062)**	(4,601)	(7,527)
Operating (loss)	**(777)**	(2,616)	(2,295)
Adjusted EBITDA[2]	**12**	(965)	45
Depreciation, amortisation and impairment	**(540)**	(686)	(1,328)
Exceptional items	**(231)**	(943)	(976)
Share based payments	**(18)**	(22)	(36)
Operating loss	**(777)**	(2,616)	(2,295)
Finance (cost)/income	**(69)**	6	77
Loss before income tax	**(846)**	(2,610)	(2,218)
Income tax credit	**70**	70	311
Total comprehensive loss for the period attributable to shareholders	**(776)**	(2,540)	(1,907)
Loss per share expressed in pence per share	Pence	Pence	Pence
Basic and diluted loss per share	**(0.13)**	(0.60)	(0.45)

All results relate to continuing activities.

[1] The presentation of the Distribution costs and Administrative expenses for the six months to 30 June 2015 have been reclassified to be consistent with the current year presentation and that presented in audited financial statements of the year to 31 December 2015. The overall reported loss for the period has not changed.

[2] Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation and impairment of acquired intangible assets and any other acquisition-related charges, share based payment charges and exceptional items. Exceptional items are those items believed to be exceptional in nature by virtue of their size and or incidence. Exceptional items in the period to 30 June 2016 comprise termination costs of £231k (2015: Exceptional items in 2015 comprised restructuring costs of £976k, including impairment of fixed assets £493k and termination costs of £146k).

Condensed Consolidated Statement of Financial Position

	Unaudited 30 June 2016 £'000	Unaudited 30 June 2015 £'000	Audited 31 December 2015 £'000
ASSETS			
Non-current assets			
Goodwill	4,953	5,036	4,953
Other intangible assets	9,054	9,919	9,514
Property, plant and equipment	693	554	560
	14,700	15,509	15,027
Current assets			
Inventories	136	143	169
Trade and other receivables	5,871	6,914	6,386
Derivative financial assets	-	-	70
Taxation recoverable	79	149	66
Cash and cash equivalents	7,482	6,623	7,005
	13,568	13,829	13,696
Total assets	28,268	29,338	28,723
LIABILITIES			
Current liabilities			
Trade and other payables	(6,338)	(6,553)	(5,756)
	(6,338)	(6,553)	(5,756)
Non-current liabilities			
Deferred taxation	(1,636)	(1,985)	(1,713)
Provisions	(894)	(1,289)	(1,096)
	(2,530)	(3,274)	(2,809)
Total liabilities	(8,868)	(9,827)	(8,565)
Net assets	19,400	19,511	20,158
EQUITY			
Share capital	42,246	42,246	42,246
Share premium	13,769	13,769	13,769
Capital redemption reserve	575	575	575
Own shares held by the Employee Benefit Trust	(561)	(561)	(561)
Share-based payments reserve	1,192	1,160	1,174
Retained earnings	(37,821)	(37,678)	(37,045)
Total equity	19,400	19,511	20,158

Condensed Consolidated Statement of Changes in Equity

Six months to 30 June 2016	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held by EBT £'000	Share-based payments reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2016	42,246	13,769	575	(561)	1,174	(37,045)	20,158
IFRS 2 share option charge	-	-	-	-	18	-	18
Total comprehensive loss for the period	-	-	-	-	-	(776)	(776)
Balance at 30 June 2016	42,246	13,769	575	(561)	1,192	(37,821)	19,400
Six months to 30 June 2015							
Balance at 1 January 2015	42,246	13,769	575	(561)	1,138	(35,138)	22,029
IFRS 2 share option charge	-	-	-	-	22	-	22
Total comprehensive loss for the period	-	-	-	-	-	(2,540)	(2,540)
Balance at 30 June 2015	42,246	13,769	575	(561)	1,160	(37,678)	19,511
Year to 31 December 2015							
Balance at 1 January 2015	42,246	13,769	575	(561)	1,138	(35,138)	22,029
IFRS 2 share option charge	-	-	-	-	36	-	36
Total comprehensive loss for the year	-	-	-	-	-	(1,907)	(1,,907)
Balance at 31 December 2015	42,246	13,769	575	(561)	1,174	(37,045)	20,158

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June 2016 £'000	Unaudited Six months ended 30 June 2015 £'000	Audited Year ended 31 December 2015 £'000
Operating activities			
Loss before income tax	(846)	(2,610)	(2,218)
Adjustments for:			
Depreciation	81	265	421
Amortisation	459	421	907
Loss on disposal of fixed assets	-	-	493
Finance cost/(income)	69	(6)	(77)
Impairment of property, plant and equipment	-	557	-
Share-based payment expense	18	22	36
(Increase)/decrease in inventories	33	(60)	(86)
Decrease/(increase) in trade and other receivables	496	687	1,098
(Decrease)/Increase in trade and other payables	582	(1,188)	(1,876)
(Decrease) in provisions	(202)	(66)	(259)
	690	(1,978)	(1,561)
Income tax received/(paid)	-	(13)	64
Net cash generated from/(used in) operating activities	690	(1,991)	(1,497)
Investing activities			
Purchase of subsidiary, net of cash acquired	-	(886)	(886)
Interest received	1	6	8
Purchase of property, plant and equipment	(214)	(65)	(204)
Proceeds from sale of property, plant and equipment	-	-	40
Net cash used in investing activities	(213)	(945)	(1,042)
Financing activities			
Repayment of hire purchase liabilities	-	(10)	(25)
Net cash from financing activities	-	(10)	(25)
Net increase/(decrease) in cash and cash equivalents	477	(2,946)	(2,564)
Cash and cash equivalents at beginning of period	7,005	9,569	9,569
Cash and cash equivalents at end of period	7,482	6,623	7,005

Notes to the Condensed Consolidated Interim Financial Statements

1. Nature of operations and general information

The principal activities of TP Group plc and its subsidiaries (the “Group”) comprise:

TPG Maritime – activities include the provision of air purification equipment for submarines including oxygen/hydrogen generation and purification, air handling and distribution systems.

TPG Design and Technology – specialises in the design and development of high-speed turbomachinery. Innovative compressors and expander generators use patented technologies.

TPG Engineering – activities include the manufacture of heat exchange equipment used in the heating and cooling of large scale industrial processes and other fabricated structures

TPG Managed Solutions – services to major organisations through prime contracting and provision of specialist resources

TP Group plc (the “Parent Company”) is the Group’s ultimate parent company which is incorporated and domiciled in the United Kingdom. The address of the registered office of the 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.

The condensed consolidated 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 2015, prepared under IFRS as adopted by the EU, have been delivered to the Registrar of Companies. The auditor’s report on the 2015 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 interim financial statements were approved for issue by the Board of Directors on 12 September 2016.

2. Basis of preparation

These condensed consolidated interim financial statements are for the six months ended 30 June 2016. They have been prepared following the principal accounting policies and methods of computation set out in the Group’s Annual Report and Accounts for the year ended 31 December 2015.

These condensed consolidated 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. The same 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 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.

Restatement of comparative segmental results for 2015

The presentation of the unaudited segmental results for the six months to 30 June 2015 have been reclassified to be consistent with the current year presentation and that presented in audited financial statements of the year to 31 December 2015. The overall reported loss for the period has not changed.

3. Segmental Reporting

The following table presents revenue and profit information for each business segment.

	TPG Maritime	TPG Engineering	TPG D&T	TPG MS	Central unallocated costs	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 30 June 2016						
Revenue	5,155	2,749	279	1,180	–	9,363
Operating profit/(loss)	1,300	(641)	(752)	139	(823)	(777)
Depreciation, amortisation and impairment	421	90	8	-	21	540
Exceptional items	-	-	-	-	231	231
Share based payments	-	-	-	-	18	18
Adjusted EBITDA[2]	1,721	(551)	(744)	139	(553)	12
Six months ended 30 June 2015[2]						
Revenue	3,696	3,708	435	501	-	8,340
Operating profit/(loss)	236	(199)	(2,113)	19	(559)	(2,616)
Depreciation, amortisation and impairment	406	76	203	-	1	686
Exceptional items	-	-	943	-	-	943
Share based payments	-	-	-	-	22	22
Adjusted EBITDA[1]	642	(123)	(967)	19	(536)	(965)
Year ended 31 December 2015						
Revenue	10,948	7,067	901	1,530	-	20,446
Operating profit/(loss)	1,933	(471)	(2,843)	247	(1,161)	(2,295)
Depreciation, amortisation and impairment	844	229	254	-	1	1,328
Exceptional items	-	-	976	-	-	976
Share based payments	-	-	-	-	36	36
Adjusted EBITDA[1]	2,777	(242)	(1,613)	247	(1,124)	45

[2] Adjusted EBITDA is defined as operating profit adjusted to add back depreciation of property, plant and equipment, amortisation and impairment of acquired intangible assets and any other acquisition-related charges, share based payment charges and exceptional items. Exceptional items are those items believed to be exceptional in nature by virtue of their size and or incidence. Exceptional items in the period to 30 June 2016 comprise termination costs of £231k (2015: Exceptional items in 2015 comprised restructuring costs of £976k, including impairment of fixed assets £493k and termination costs of £146k).

[3] The presentation of the unaudited segmental results for the six months to 30 June 2015 have been reclassified to be consistent with the current year presentation and that presented in audited financial statements of the year to 31 December 2015. The overall reported loss for the period has not changed.

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 2016 number	Unaudited Six months ended 30 June 2015 number	Audited Year ended 31 December 2015 number
Weighted average shares in issue	420,857,956	420,857,956	420,857,956

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 2015 and year ended 31 December 2015: 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.