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

20 October 2020

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

Unaudited interim results for the six months ended 30 June 2020

Established client base and resilient operating model continues to support growth opportunities

TP Group (AIM: TPG), the providers of mission-critical solutions for a more secure world, today announces its unaudited interim results for the six months ended 30 June 2020.

These results have been prepared on the basis that the Group is in advanced discussions to dispose of its wholly owned subsidiary TPG Engineering Ltd., a manufacturer of heat exchangers, and therefore that business is treated as a discontinued operation for the purposes of these results.

Financial highlights – continuing operations

- Revenue up 33% to £27.5m (H1 2019: £20.6m) - normalising for the 6 month contribution from Sapienza of £4.3m, revenue increased organically by £2.6m (13%)
- Adjusted operating profit[1] £1.4m (H1 2019: £2.3m) – caused by adverse efficiency effects arising from COVID-19 restrictions, a change in the revenue mix and investment in the business
- Operating loss £1.7m (H1 2019: £0.9m loss) – movement as for adjusted operating profit
- Order intake up 13% to £35.2m (H1 2019: £31.1m) – a strong performance, overcoming commercial constraints arising through the COVID-19 pandemic
- Closing order book £64.4m (31 December 2019: £56.8m) - provides good visibility and continuity for the business
- Established a new £7.0m three-year finance facility with HSBC Bank plc to support investment in future growth opportunities
- Cash balance, net of £7.0m drawn down from HSBC bank facility, £6.8m (31 December 2019: £6.6m) - strong working capital performance
- Fully drawn down bank loan facility held on the balance sheet to mitigate any working capital effects caused by COVID-19 disruption

Operational highlights

- **Strong momentum from Consulting value stream**
  - Follow-on order worth at least £5.0 million from Army HQ for consulting support for its multi-billion-pound transformation programme
  - Signed an extension to the European Space Agency ("ESA") framework contract until December 2022 and secured the first tranche of orders worth c.€18.0 million

- **Establishing 'clean gas solutions' revenue base**
    - Carbon dioxide solution contract worth £1.0 million with South-East Asian customer alongside Oxygen generation devices contract worth £1.0 million
    - Carried out performance trials of clean gas production technologies

- **Ongoing geographic expansion**
    - French office opened to support existing customers and to address Group-wide opportunities
    - Contract signed with a German customer worth £1.7 million for innovative mobile computing devices

- **Strong Digital Solutions contract wins**
    - Five-year contract to supply ECLIPSE project management software to Airbus UK
    - Initial contract worth £0.3 million to develop an Artificial Intelligence ("AI") solution to optimise critical equipment in the energy sector in the United Arab Emirates

- **Impact of COVID-19 well managed**
    - Maintained business continuity throughout the COVID-19 pandemic, with all engineering sites remaining open and suitable procedures in place to support customers' critical programmes
    - Supported all staff, with no staff furloughed and invested in training and business methods throughout the COVID-19 period

Current trading and outlook

- Acquired Osprey Consulting Services Ltd., a business focused on safety and mission-critical airspace management and regulation in the defence, space and the emerging urban air mobility markets
- A strong start to H2 with multiple significant orders secured, including:
    - c.€9.0m of additional work orders secured under ESA framework contract
    - c.£1.0m Hydrogen system contract
    - c.£2.0m extension to MoD consulting contract
    - c.£4.0m orders to supply MoD with oxygen generation and carbon dioxide removal devices
    - Signed a three-way hydrogen fuelling partnership agreement

Whilst COVID-19 continues to challenge the businesses community, the Group remains well positioned for future success. A strong core business with continued investment in new and emerging technologies and solutions allows the Group's experienced management team to capitalise upon our position in exciting growth markets.

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

"The first half of 2020 saw a typically resolute response from the Group with our first priority being the safety and well-being of our staff and those closest to them.

"Pleasingly, we were able to maintain strong revenues in the first half of the year, as a result of our robust core business and the Group's long-term order book, whilst making further planned investments despite the challenges of COVID-19.

"We remain well-positioned to capitalise on the anticipated recovery phase in our key sectors alongside our active engagement in some of the most exciting global growth markets, including clean energy, autonomous navigation and artificial intelligence."

Notes:

1. Adjusted operating profit / (loss) is defined as operating result adjusted to add back depreciation of property, plant and equipment and right-of-use assets, amortisation of intangible assets and impairment gains or losses on non-current assets, changes in fair value of contingent consideration, acquisition consideration accounted for as employment costs owing to on-going service conditions, any other acquisition-related charges, share based payment charges, non-controlling interest and non-operating costs. Non-operating costs are those items believed to be exceptional in nature by virtue of their size and or incidence. The directors of the Company believe this measure is more reflective of the underlying performance of the Group than equivalent GAAP measures. This is primarily due to the exclusion of non-cash items, such as share-based payments, impairment, depreciation and amortisation, as well as acquisition and non-operating costs. This provides shareholders and other users of the financial statements with the most representative year-on-year comparison of underlying operating performance attributable to shareholders. This measure and the separate components remain consistent with 2019.

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Notes to Editors

TP Group delivers complex equipment, software and services for mission, business and safety critical applications in defence, space and energy sectors. With more than 400 people in 6 European countries, it serves global customers through long-term contracts. The Group's shares have been traded on AIM since July 2001.

Business Review – continuing operations

Introduction

The Group performed well throughout H1 2020 against the challenging backdrop of the COVID-19 pandemic and its associated business disruption. The business benefited from a strong opening order book, coupled with participation in several long-term strategic government and institutional programmes in the UK and overseas. The Group has therefore been able to manage through the pandemic and is fully prepared for any ongoing disruption.

All manufacturing sites remained open and operated with the number of staff required to ensure continuity of order fulfilment, whilst maintaining appropriate distancing measures, with the balance of employees working from home. No staff have been furloughed.

Pleasingly, order intake continued to grow to £35.2m (H1 2019: £31.1m) which is a rise of 13% on the comparable period last year, which was itself skewed by a contract worth £17m that was taken in May 2019. The Group closing order book now stands at £64.4m, up £7.6m on 31 December 2019 (£56.8m) which provides good visibility and continuity for the business.

Operational review

Group revenue increased 33% to £27.5m (H1 2019: £20.6m). Normalising for the contribution from Sapienza of £4.3m, revenue grew organically by £2.6m (13%), predominantly in our CaPS business. Revenue held up well during the COVID-19 restrictions as a result of the strong order book and our efforts to maintain project continuity over the period.

Adjusted operating profit reduced to £1.4m (H1 2019: £2.3m) primarily as a consequence of:

- normal business operational effects – principally in Technology & Engineering ("T&E") through travel restrictions, customer and supply chain interactions and the use of third party contractors caused by COVID-19 global restrictions. This reduced gross profit by c. £1.1m;
- investment in future business capabilities – additional c. £0.5m over the prior year, including the opening of a French office, further development of our AI technology and support of new initiatives to enter the hydrogen fuels market; and
- offset by revenue growth - in Consulting & Programme Services ("CaPS") that contributed c. £0.7m.

Gross profit percentage reduced from 32.7% to 23.4% as a result of:

- CaPS contributed a greater proportion of total Group revenue, but at a lower gross margin than is typically generated by T&E; and
- T&E margins were more significantly impacted by COVID-19. A number of high-margin programmes slowed, although these high margin orders remain in the order book for future delivery. These reductions were offset by additional orders for consumable items, however, these were at a significantly lower gross margin percentage.

The Group operating loss widened to £1.7m (H1 2019: £0.9m loss) as a result of the adjusted operating profit shortfalls noted above.

The Group's net cash balance, excluding the fully drawn down debt facility, increased to £6.8m (31 December 2019: £6.6m) as a result of strong operational cash flow and management of working capital, offsetting in part the prior year's cash outflow. The £7.0m proceeds of the drawn down bank facility were held on the balance sheet to mitigate any working capital effects caused by COVID-19 disruption and fund the initial £2.5m cash consideration for the acquisition of Osprey Consulting. As of 30 September 2020, the Group had not used any of the drawn down facility for working capital purposes.

The Group currently reports as two core businesses - Technology & Engineering ("T&E") and Consulting & Programme Services ("CaPS"). As the CaPS business has become more material to the Group's performance, its capabilities have extended to include software and digital solutions alongside traditional consulting services. We are therefore positioning the business as three complementary value streams:

- **Consulting** – specialist services to enable our clients to transform their enterprise and evolve their systems and services.

- **Digital Solutions** – solving complex problems in dynamic and changing environments with AI and software tools.

- **Bespoke Engineering Solutions** - safe, clean and resilient equipment to meet the most pressing challenges.

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

Technology and innovation

Management is currently focused on using our skills, knowledge and experience across defence and security, clean energy and digital innovation to enhance the Group's offering within these sectors. To that end, we are focused on developing our capabilities in the following:

- **Clean atmosphere and energy** - driven by urbanisation, climate change and resource scarcity. TP Group is now working on clean gas solutions around hydrogen fuel and carbon capture

- **Artificial Intelligence** - smart use of information is driven by a wide range of use-cases, and so we are working on applying **AI** to understand our world better, to inform decisions and to automate relevant activities.

Geographic expansion

For many years, the Group has supported international customers from a UK base. We are building operational centres closer to our key accounts, demonstrated by opening a Group company in France. With local staff, we will be better placed to gain maximum returns from major accounts like Naval Group and Thales, and offer the Group's capabilities to other major French organisations in the space and energy sectors.

Post period-end

On 25 August 2020 the Group completed the strategic acquisition of Osprey Consulting Services Ltd. for a maximum consideration of £3.5m on a debt-free, cash-free normalised working capital basis funded from its existing cash resources. The Group also acquired, for a nominal value of €2, the remaining 31% shareholding in Lift B.V. from its minority investors.

Following a strategic review of the Group's business, it was concluded that the TPG Engineering Ltd. business is no longer core to the Group's strategy. As a result, the Group has commenced a disposal process and is in advanced discussions with a potential buyer to acquire that business. Further information will be provided when this process concludes.

Order intake has continued successfully over the summer with several significant orders secured across the Group's defence, space and renewable energy activities.

The ESA framework contract extension announced 24 March 2020 yielded a further c. €9.0m of orders to build upon the c. €18.0m announced in June to bring the total to c. €27.0m.

CaPS secured a c. £2.0m extension to the MoD consulting contract that builds upon the existing 2-year c.£5.0 million customer support contract, first announced in February 2020, for support to the Army HQ on their multi-billion pound strategic communications transformation programme.

A further c. £4.0m of orders were received by T&E in September to supply the MoD with oxygen generation and carbon dioxide removal devices. This is part of the £22 million framework contract entered into with the MoD in April 2017 to manage equipment availability and provide spares for air purification systems.

The Group's growing activity around hydrogen and renewable energy has been recognised where safety of the overall solution is paramount. This was reflected in a c.£1.0m contract for management and control equipment for enhanced safety management of hydrogen gas. In addition, the Group entered into a three-way partnership to pursue opportunities for hydrogen fuelling solutions in the rail industry.

Outlook

TP Group is now a global technology services business focusing on consulting services and digital and bespoke engineering solutions. Whilst COVID-19 continues to create uncertainties and challenges for us as it does for all businesses, the Group remains well positioned for future growth supported by a strong core business and complemented by our emerging presence in high-growth sectors such as AI and clean technology.

In order to grow the business across its three complementary value streams, management plans to follow a path that combines:

- Investment in our existing business capabilities to protect our underlying performance
- Mobilising our propositions in additional market sectors such as private space activities
- Extending our reach into new geographies such as the United States and South East Asia

As mentioned above, this will be complemented by significant and continued investment in new and emerging technologies and solutions such as hydrogen energy systems and AI. Where appropriate, the Group may also add capability through carefully considered strategic acquisitions.

The Group's experienced management team, unique offering of technologies and services, and keen focus on exciting growth markets positions it well for continued success. I share the Board's confidence in the Group's ongoing prospects.

Phil Cartmell
19 October 2020

Condensed consolidated statement of comprehensive income

	Unaudited six months ended 30 June 2020[1]	Unaudited six months ended 30 June 2019[1,5]	Year ended 31 December 2019[1]
	£'000	**£'000**	**£'000**
Revenue from continuing operations	27,520	20,637	49,396
Cost of sales	(21,069)	(13,892)	(33,230)
Gross profit from continuing operations	6,451	6,745	16,166
Administrative expenses	(8,190)	(7,631)	(17,197)
Operating loss from continuing operations	(1,739)	(886)	(1,031)
Adjusted operating profit from continuing operations [1, 2]	1,359	2,284	5,563
Depreciation, amortisation and impairment	(2,037)	(1,304)	(2,960)
Acquisition related costs[3]	(150)	(928)	(1,527)
Non-operating costs	(271)	(64)	(352)
Share based payments	(115)	(120)	(176)
Movement in expected earn-out payments[4]	(525)	(754)	(1,579)
Operating loss from continuing operations	(1,739)	(886)	(1,031)
Net finance costs	(84)	(72)	(193)
Loss before income tax from continuing operations	(1,823)	(958)	(1,224)
Income tax credit / (charge)	249	(532)	(693)
Loss for the period from continuing operations	(1,574)	(1,490)	(1,917)
Discontinued operations:			
(Loss) / profit for the period from discontinued operations (attributable to equity holders of the company)	(2,833)	253	(92)
Loss for the period	**(4,407)**	**(1,237)**	**(2,009)**
Attributable to:			
Equity holders of the parent company	(4,386)	(1,237)	(1,927)
Non-controlling interest	(21)	-	(82)
	(4,407)	**(1,237)**	**(2,009)**
Other comprehensive income for the period:			
Loss for the period	(4,407)	(1,237)	(2,009)
Foreign exchange (losses)/profit on translation of foreign operations	(40)	63	(4)
Total comprehensive loss for the period attributable to shareholders	(4,447)	(1,174)	(2,013)
Attributable to:			
Equity holders of the parent company	(4,426)	(1,174)	(1,931)
Non-controlling interest	(21)	-	(82)
	(4,447)	(1,174)	(2,013)
Loss per share expressed in pence per share	Pence	Pence	Pence
Continuing operations:			
Basic and diluted loss per share	(0.21)	(0.19)	(0.25)
Discontinued operations:			
Basic and diluted (loss) / earnings per share	(0.36)	0.03	(0.01)
Total:			
Basic and diluted loss per share	(0.57)	(0.16)	(0.26)

[1] The Condensed statement of comprehensive income has been presented to reflect continuing operations arising from the planned disposal of TPG Engineering Limited. The current and comparative result for TPG Engineering Limited is presented as 'Loss for the period from continuing operations' and note 5.

[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, acquisition consideration accounted for as employment costs owing to on-going service conditions, any other acquisition-related charges, share based payment charges and non-operating costs. Non-operating costs are those items believed to be exceptional in nature by virtue of their size and or incidence. The directors of the Company believe this measure is more reflective of the underlying performance of the Group than equivalent GAAP measures. This is primarily due to the exclusion of non-cash items, such as share-based payments, impairment, depreciation and amortisation, as well as acquisition and non-operating costs. This provides shareholders and other users of the financial statements with the most representative year-on-year comparison of operating performance. This measure and the separate components remain consistent with 2019.

[3] Acquisition costs consist of costs associated with the purchase of Sapienza (£25,000) and ongoing acquisition opportunities (£125,000).

[4] Movement in expected earn-out payments consist of accrued payments on the acquisition of Sapienza.

[5] Cost of Sales and administrative expenses for the 6 months to 30 June 2019 have been restated to align the treatment of certain categories of costs with their subsequent treatment in the figures for the 6 months to 30 June 2020. The impact is net £38,000 reduction in cost of sales and increase in administrative expenses. This restatement has no effect on the profit after tax originally reported for the period.

Condensed consolidated statement of financial position

	Unaudited 30 June 2020[1] £'000	Unaudited 30 June 2019 £'000	31 December 2019 £'000
ASSETS			
Non-current assets			
Goodwill	8,560	5,289	9,161
Other intangible assets	18,209	24,179	19,466
Property, plant and equipment	1,056	1,975	2,073
Right-of-use assets	4,064	6,381	5,808
	31,889	37,824	36,508
Current assets			
Inventories	1,515	3,658	2,036
Trade and other receivables	7,090	9,384	13,031
Amounts due from contract customers	5,962	12,459	10,042
Cash and bank balances	13,802	9,011	6,568
	28,369	34,512	31,677
Assets held for sale[1]	6,673	-	-
	35,042	34,512	31,677
Total assets	66,931	72,336	68,185
LIABILITIES			
Current liabilities			
Trade and other payables	(9,911)	(12,502)	(11,605)
Amounts due to contract customers	(3,017)	(11,519)	(10,228)
Corporation tax	(108)	(415)	(180)
Lease liabilities	(957)	(548)	(1,022)
	(13,993)	(24,984)	(23,035)
Liabilities held for sale[1]	(6,673)	-	-
	(20,666)	(24,984)	(23,035)
Non-current liabilities			
Trade and other payables	(512)	(73)	(286)
Deferred taxation	(2,514)	(3,275)	(2,738)
Lease liabilities	(3,922)	(6,278)	(5,429)
Borrowings	(7,000)	-	-
Provisions	(183)	(477)	(231)
	(14,131)	(10,103)	(8,684)
Total liabilities	(34,797)	(35,087)	(31,719)
Net assets	**32,134**	**37,249**	**36,466**
EQUITY			
Share capital	7,792	7,792	7,792
Share premium	18,529	18,529	18,529
Own shares held by EBT	(561)	(561)	(561)
Translation of foreign operations	(44)	-	(4)
Share-based payments reserve	1,257	1,561	1,142
Retained earnings	4,754	9,418	9,140
Total equity attributable to shareholders	31,727	36,739	36,038
Non-controlling interests	407	510	428
Total equity	**32,134**	**37,249**	**36,466**

1 The Statement of financial position shows current assets and liabilities held for sale following the planned disposal of TPG Engineering.

Condensed consolidated statement of changes in equity

	Share capital	Share premium	Own shares held by EBT	Share-based payments reserve	Translation reserve	Retained earnings	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Six months to 30 June 2020								
Balance at 1 January 2020	7,792	18,529	(561)	1,142	(4)	9,140	428	36,466
Loss for the period	-	-	-	-	-	(4,386)	(21)	(4,407)
Other comprehensive loss	-	-	-	-	(40)	-	-	(40)
Total comprehensive loss	-	-	-	-	(40)	(4,386)	(21)	(4,447)
Share-based payments charge	-	-	-	115	-	-	-	115
Balance at 30 June 2020	7,792	18,529	(561)	1,257	(44)	4,754	407	32,134

	Share capital	Share premium	Own shares held by EBT	Share-based payments reserve	Translation reserve	Retained earnings	Non-controlling interest	Total
Six months to 30 June 2019								
Balance at 1 January 2019	7,586	17,438	(561)	1,441	-	10,592	-	36,496
Total comprehensive loss for the period	-	-	-	-	-	(1,174)	-	(1,174)
Share issue	206	1,091	-	-	-	-	-	1,297
Share-based payments charge	-	-	-	120	-	-	-	120
Acquisition of non-controlling interests	-	-	-	-	-	-	510	510
Balance at 30 June 2019	7,792	18,529	(561)	1,561	-	9,418	510	37,249

	Share capital	Share premium	Own shares held by EBT	Share-based payments reserve	Translation reserve	Retained earnings	Non-controlling interest	Total
Year to 31 December 2019								
Balance at 1 January 2019	7,586	17,438	(561)	1,441	-	10,592	-	36,496
Loss for the year	-	-	-	-	-	(1,927)	(82)	(2,009)
Other comprehensive loss	-	-	-	-	(4)	-	-	(4)
Total comprehensive loss	-	-	-	-	(4)	(1,927)	(82)	(2,013)
Shares issued	206	1,091	-	-	-	-	-	1,297
Share-based payments charge	-	-	-	176	-	-	-	176
Share-based payments reserves transfer	-	-	-	(475)	-	475	-	-
Non-controlling interest on acquisition of Lift BV	-	-	-	-	-	-	510	510
Balance at 31 December 2019	7,792	18,529	(561)	1,142	(4)	9,140	428	36,466

Condensed consolidated statement of cash flows

	Unaudited six months ended 30 June 2020	Unaudited six months ended 30 June 2019	Year ended 31 December 2019
	£'000	£'000	£'000
Operating activities			
Loss before income tax from continuing operations	(1,823)	(958)	(1,224)
Loss before income tax from discontinued operations	(2,933)	(146)	(739)
Total loss before income tax	(4,756)	(1,104)	(1,963)
Adjustments for:			
Adjustments on discontinued operations	2,044	-	-
Depreciation, amortisation and impairment	2,296	1,562	3,865
Finance expense	112	100	264
Share-based payment expense	115	120	176
Decrease / (increase) in inventories	2,067	(931)	691
Decrease / (increase) in trade and other receivables	3,786	(4,823)	(7,086)
(Decrease) / increase in trade and other payables	(3,148)	1,656	1,901
Decrease in provisions	-	(23)	(269)
	2,516	(3,443)	(2,421)
Income tax (paid) / received	(15)	195	(412)
Net cash generated from / (used in) operating activities	2,501	(3,248)	(2,833)
Investing activities			
Interest received	-	24	23
Purchase of property, plant and equipment	(498)	(1,025)	(932)
Purchase of computer software	(319)	(77)	(556)
Acquisition of subsidiaries, net of cash acquired	-	(8,199)	(8,282)
Acquisition of subsidiary – payment of earn-out	(877)	(750)	(2,000)
Net cash used in investing activities	(1,694)	(10,027)	(11,747)
Financing activities			
New borrowings	7,000	-	-
Interest payable	(107)	(124)	(286)
New leases commenced	-	415	-
Repayment of lease liabilities	(465)	(418)	(981)
Net cash from / (used) in financing activities	6,428	(127)	(1,267)
Effects of exchange rates on cash and cash equivalents	(1)	-	2
Net increase / (decrease) in cash and cash equivalents	7,234	(13,402)	(15,845)
Cash and cash equivalents at the beginning of the period	6,568	22,413	22,413
Cash and cash equivalents at the end of the period	13,802	9,011	6,568
Net increase/(decrease) in cash and cash equivalents for discontinued operations	41	(460)	(99)

Notes to the condensed set of unaudited interim financial statements

1. Nature of operations

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

Our customers trust us to ensure the safety, reliability and performance of complex systems in the most challenging or arduous situations. With global presence and proven field experience, TP Group is a leading choice for platform builders, integrators and users of both military and industrial systems.

The Group currently reports as two core businesses:

- **Technology & Engineering** ("T&E") - the capability to design, manufacture and support mission-critical systems
- **Consulting & Programme Services** ("CaPS") - advising clients on strategic problems and implementing technology-driven solutions

As the CaPS business has become more material to the Group's performance, its capabilities have extended to include software and digital solutions alongside traditional consulting services. We are therefore positioning the business as three complementary value streams:

- **Consulting** – specialist services to enable our clients to transform their enterprise and evolve their systems and services
- **Digital Solutions** – solving complex problems in dynamic and changing environments with AI and software tools
- **Bespoke Engineering Solutions** - safe, clean and resilient equipment to meet the most pressing challenges

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

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

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.

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 2019, prepared under IFRS as adopted by the EU, have been delivered to the Registrar of Companies. The auditor's report on the 2019 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 19 October 2020.

2. Basis of preparation

These condensed consolidated unaudited interim financial statements are for the six months ended 30 June 2020.

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. The accounting policies, presentation and methods of computation in the condensed set of financial statements are as they will be applied in the Group's 2020 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 following Standards and Interpretations are effective from 1 January 2020. Application of these standards has no material impact on the results of the Group:

- Amendments to the following standards:
  − IAS 1 and IAS 8 Definition of Material
  − IFRS 3 Business Combinations
  − IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform
- Amendments to References to the Conceptual Framework in IFRS Standards

Notes to the condensed set of unaudited interim financial statements

3. Segmental reporting

The following table presents revenue and profit information from the continuing operations for each business segment, as previously applied in the business for the year ended 31 December 2019.

	T&E	CaPS	Central unallocated costs[2]	Group
	£'000	£'000	£'000	£'000
Six months ended 30 June 2020[1]				
Revenue	11,777	15,743	-	27,520
Operating loss	733	(714)	(1,758)	(1,739)
Depreciation, amortisation and impairment	753	1,150	134	2,037
Acquisition related costs	-	-	150	150
Non-operating costs	17	118	136	271
Share based payments	-	-	115	115
Movement in expected earn-out payments	-	-	525	525
Adjusted operating profit / (loss) including non-controlling interest)	**1,503**	**554**	**(698)**	**1,359**
Non-controlling interest	-	21	-	21
Adjusted operating profit / (loss)[3]	1,503	575	(698)	1,380
Six months ended 30 June 2019[1]				
Revenue	11,375	9,262	-	20,637
Operating profit / (loss)	2,014	(291)	(2,609)	(886)
Depreciation, amortisation and impairment	704	511	89	1,304
Acquisition related costs	-	-	928	928
Non-operating costs	9	25	30	64
Share based payments	-	-	120	120
Movement in expected earn-out payments	-	-	754	754
Adjusted operating profit / (loss) including non-controlling interest)	**2,727**	**245**	**(688)**	**2,284**
Non-controlling interest	-	-	-	-
Adjusted operating profit / (loss)[3]	2,727	245	(688)	2,284
Year ended 31 December 2019[1]				
Revenue	24,887	24,509	-	49,396
Operating profit / (loss)	4,382	(487)	(4,926)	(1,031)
Depreciation, amortisation and impairment	1,048	1,714	198	2,960
Acquisition related costs	-	-	1,527	1,527
Non-operating costs	58	91	203	352
Share based payments	-	-	176	176
Movement in expected earn-out payments	-	-	1,579	1,579
Adjusted operating profit / (loss) including non-controlling interest)	**5,488**	**1,318**	**(1,243)**	**5,563**
Non-controlling interest	-	82	-	82
Adjusted operating profit / (loss)[3]	5,488	1,400	(1,243)	5,645

Notes to the condensed set of unaudited interim financial statements

3. Segmental reporting (continued)

[1] The segmental information has been updated to present only continuing operations following the planned disposal of TPG Engineering Limited. Refer to note 5 for details of the discontinued operation.

[2] 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.

[3] Adjusted operating profit/(loss) is defined as operating profit/(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 on-going service conditions, any other acquisition-related charges, share based payment charges, non-operating costs and non-controlling interest. Non-operating costs are those items believed to be exceptional in nature by virtue of their size and or incidence. The directors of the Company believe this measure is more reflective of the underlying performance of the Group than equivalent GAAP measures. This is primarily due to the exclusion of non-cash items, such as share-based payments, impairment, depreciation and amortisation, as well as acquisition and non-operating costs. This provides shareholders and other users of the financial statements with the most representative year-on-year comparison of operating performance. This measure and the separate components remain consistent with 2019.

Notes to the condensed set of unaudited interim financial statements

3. Segmental reporting (continued)

As the CaPS business has become more material to the Group's performance, its capabilities have extended to include software and digital solutions alongside traditional consulting services. We are therefore positioning the business as three complementary value streams. The following is an analysis of the Group's revenue and results from continuing operations using these revised streams.

	Bespoke Engineering	Consulting	Digital Solutions	Central unallocated costs[2]	Group
	£'000	£'000	£'000	£'000	£'000
Six months ended 30 June 2020[1]					
Revenue	11,777	15,012	731	-	27,520
Operating profit / (loss)	733	(73)	(641)	(1,758)	(1,739)
Depreciation, amortisation and impairment	753	1,092	58	134	2,037
Acquisition related costs	-	-	-	150	150
Non-operating costs	17	118	-	136	271
Share based payments	-	-	-	115	115
Movement in expected earn-out payments	-	-	-	525	525
Adjusted operating profit / (loss) including non-controlling interest	**1,503**	**1,137**	**(583)**	**(698)**	**1,359**
Non-controlling interest	-	21	-	-	21
Adjusted operating profit / (loss)[3]	1,503	1,158	(583)	(698)	1,380
Six months ended 30 June 2019[1]					
Revenue	11,375	8,764	498	-	20,637
Operating profit / (loss)	2,014	(61)	(230)	(2,609)	(886)
Depreciation, amortisation and impairment	704	511	-	89	1,304
Acquisition related costs	-	-	-	928	928
Non-operating costs	9	25	-	30	64
Share based payments	-	-	-	120	120
Movement in expected earn-out payments	-	-	-	754	754
Adjusted operating profit / (loss) including non-controlling interest	**2,727**	**475**	**(230)**	**(688)**	**2,284**
Non-controlling interest	-	-	-	-	-
Adjusted operating profit / (loss)[3]	2,727	475	(230)	(688)	2,284
Year ended 31 December 2019[1]					
Revenue	24,887	23,022	1,487	-	49,396
Operating profit / (loss)	4,382	(552)	65	(4,926)	(1,031)
Depreciation, amortisation and impairment	1,048	1,714	-	198	2,960
Acquisition related costs	-	-	-	1,527	1,527
Non-operating costs	58	91	-	203	352
Share based payments	-	-	-	176	176
Movement in expected earn-out payments	-	-	-	1,579	1,579
Adjusted operating profit / (loss) including non-controlling interest	5,488	1,253	65	(1,243)	5,563
Non-controlling interest	-	82	-	-	82
Adjusted operating profit / (loss)[3]	5,488	1,335	65	(1,243)	5,645

1 The segmental information has been updated to present continuing operations only following the planned disposal of TPG Engineering. Refer to note 5 for details of the discontinued operation.

2 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.

[3] Adjusted operating profit/(loss) 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 on-going service conditions, any other acquisition-related charges, share based payment charges, non-operating costs and non-controlling interest. Non-operating costs are those items believed to be exceptional in nature by virtue of their size and or incidence. The directors of the Company believe this measure is more reflective of the underlying performance of the Group than equivalent GAAP measures. This is primarily due to the exclusion of non-cash items, such as share-based payments, impairment, depreciation and amortisation, as well as acquisition and non-operating costs. This provides shareholders and other users of the financial statements with the most representative year-on-year comparison of operating performance. This measure and the separate components remain consistent with 2019.

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 2020	**Unaudited six months ended 30 June 2019**	**Audited year ended 31 December 2019**
	Number of shares	**Number of shares**	**Number of shares**
Weighted average shares in issue	779,178,719	763,959,084	772,439,898

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 2019 and year ended 31 December 2019: 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.

Notes to the condensed set of unaudited interim financial statements

5. Discontinued operations

These results are prepared on the basis that the Group is in advanced discussions to dispose of its wholly owned subsidiary TPG Engineering Ltd., and therefore that business is treated as a discontinued operation for the purposes of these results.

Results of discontinued operations:

	Six months ended 30 June 2020	Six months ended 30 June 2019[1]	Year ended 31 December 2019
	£'000	£'000	£'000
Revenue	2,592	5,349	8,822
Cost of sales	(2,639)	(4,418)	(8,054)
Gross (loss) / profit	(47)	931	768
Administrative expenses	(2,858)	(1,049)	(1,436)
Operating loss	(2,905)	(118)	(668)
Adjusted operating (loss) / profit	(602)	140	(175)
Depreciation and amortisation	(259)	(258)	(485)
Impairment	(2,044)	-	-
Non-operating costs	-	-	(8)
Operating loss	(2,905)	(118)	(668)
Net finance costs	(28)	(28)	(71)
Loss before income tax	(2,933)	(146)	(739)
Income tax credit	100	399	647
(Loss) / profit for the period from discontinued operations	**(2,833)**	**253**	**(92)**

[1] Cost of Sales and administrative expenses for the 6 months to 30 June 2019 have been restated to align the treatment of certain categories of costs with their subsequent treatment in the figures for the 6 months to 30 June 2020. The impact is a net £129,000 increase in cost of sales and decrease in administrative expenses. This restatement has no effect on the profit after tax originally reported for the period.

	Six months ended 30 June 2020	Six months ended 30 June 2019	Year ended 31 December 2019
	£'000	£'000	£'000
Net cash inflow/(outflow) from operating activities	539	(78)	310
Net cash outflow from investing activities	(64)	(220)	(83)
Net cash outflow from financing activities	(434)	(162)	(326)
Net increase/(decrease) in cash generated by discontinued operations	**41**	**(460)**	**(99)**