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Petards Group PLC
13 June 2024

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Petards Group plc

("Petards", "the Group" or "the Company")

Final results for the year ended 31 December 2023

Petards Group plc (AIM: PEG), the AIM quoted developer of advanced security and surveillance systems, is pleased to report its audited final results for the year ended 31 December 2023.

Key Highlights:

- **Financial**
  - Total revenues £9,424,000 (2022: £10,872,000)
  - Gross profit margin 50.5% (2022: 51.0%)
  - Adjusted EBITDA* £340,000 (2022: £1,161,000)
  - Operating loss before exceptional items £529,000 (2022: £225,000 profit)
  - Exceptional acquisition and reorganisation costs incurred £656,000 (2022: £nil)
  - Loss after tax £1,050,000 (2022: £524,000 profit)
  - Basic and diluted loss per share 1.86p (2022: EPS basic 0.93p and diluted 0.91p)
  - Net cash from operating activities pre-exceptionals £660,000 (2022: £583,000)
  - Current net funds £1,241,000 (31 Dec 2022: £1,891,000)

- **Operational**
  - Strong revenues related to service and engineering support, spares and repairs reflected in high gross margin performance
  - Operating cost reductions in Q4 2023 expected to realise savings of over £0.4 million in 2024
  - Order book at 31 December 2023: £2.4 million (31 Dec 2022: £4.1 million)
  - 2023 new products included QRO's Harrier AI camera launched in December for which significant orders have been received in 2024
  - Significant progress made towards delivering on the Group's acquisition strategy

*Adjusted EBITDA comprises operating profit adjusted to remove the impact of depreciation, amortisation, exceptional items, acquisition costs and share based payments. A reconciliation of Adjusted EBITDA to operating profit is included on the face of the consolidated income statement.

Commenting on the current outlook, Raschid Abdullah, Chairman, said:

"Group trading was slightly ahead of budget for the first quarter but the second quarter has so far shown some signs of weakness relating to delays in respect of some orders anticipated to be received and delivered in the period. The current expectation is that most, if not all, of these orders will be received during the course of the year, revenues from which will be determined by the timing of order receipt.

The board believes that the actions it has put in place and its continued focus on costs and gross profit margin performance should help to mitigate the impact on the adjusted EBITDA for the year."

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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Chairman's statement

Introduction

I am pleased to report that following a difficult first half year, as was anticipated, trading in the second six months of 2023 showed a marked improvement. Having recorded a small adjusted EBITDA loss of £0.06 million in its 2023 unaudited interim results, the Group returned adjusted EBITDA profits in the second half year of £0.40 million on higher revenues of £5.02 million at 53% gross profit margin.

Revenues for the full year ended 31 December 2023 were £9.42 million (2022: £10.87 million), with gross profit margin of 50% (2022: 51%) and an adjusted EBITDA of £0.34 million (2022: £1.16 million). Margins were a little higher than expected as a result of the focus on service and engineering support, spares and repairs.

The board is pleased to announce progress on its acquisition strategy and is presently in advanced stages of finalising a potential strategic acquisition that is very close to completion. We have been seeking targets that will both significantly increase the Group's scale and revenues, while complementing the Group's present operations. Provided it is taken to a successful conclusion, the Board considers that this acquisition will achieve all of those aims. As well as being complementary to the Group's existing activities within Defence, Traffic and Rail, it will broaden its reach into new sectors, including those of Energy, Aviation and Buses. It is expected that the consideration will comprise cash and the issue of a small number of Petards ordinary shares to the vendors. The Company expects to announce further details on the progress it has made on its acquisition strategy shortly.

The nature of this transaction changed substantially during the course of negotiations, it having initially been deemed to be a reverse take-over under AIM Rules, which resulted in significant professional costs being incurred. Under IFRS, the element incurred during 2023, has been expensed in the year as exceptional acquisition costs of £0.58 million. Pre-exceptional costs, the Group recorded a loss after tax for the year of £0.39 million (2022: £0.52 million profit). After exceptional costs the loss after tax was £1.05 million.

Net cash generated from operating activities before exceptional acquisition costs was £0.58 million (2022: £0.58 million). Frustratingly this cash generation would have improved to £0.86 million had a customer's payment of £0.26 million been received on its due date, rather than on 2 January 2024.

After cash flows relating to the exceptional acquisition costs, investment and financing activities, net cash at 31 December 2023 closed at £1.24 million (31 December 2022: £2.02 million) with no bank debt. The £0.58 million acquisition costs and the later customer receipt of £0.26 million were the main reasons for the year-on-year reduction in net cash.

The Group retains a strong balance sheet with net assets at 31 December 2023 of £7.20 million (31 December 2022: £8.25 million).

At a trading level, Traffic had another very strong year, albeit down on its record performance in 2022 and has started 2024 strongly which has included first, but significant, orders for QRO's new Harrier AI camera. Present indications are that QRO is set for another good performance in 2024.

Rail markets remained challenging, in response to which during the last quarter of 2023 management implemented further reductions in operating costs at a one-off cost of £0.08 million. Together with other actions taken these are expected to deliver annual savings in excess of £0.4 million.

As has been widely reported, new train orders for the UK rail network have been in abeyance since 2019 which has had a significant impact on Petards eyeTrain business. Hence, while not having a direct benefit for Petards, Department for Transport's (DfT) announcement in April of its intention to place an order on Alstom for some additional trains is welcome and the industry expects more significant orders to be placed by DfT in 2025 and 2026. While these are more positive signs for the UK rail industry, sales cycles continue to be elongated. In response, Petards is now structured on the basis that, while during

UK rail industry, sales cycles continue to be elongated. In response, Petards is now structured on the basis that, while during 2024 it anticipates receiving orders for smaller add-ons and for enhanced functionality of customers' existing systems, the market for larger orders is unlikely to be forthcoming until next year.

At the interim stage I reported that the Defence business had weakened as the MOD's focus and budget has been on supporting Ukraine in its war with Russia rather than on the types of defence services provided by Petards. Since then, there have been encouraging signs that this may be changing with the UK Government's recent commitment to higher overall defence spending to counter the increasing threats being seen globally.

In addition, this April saw the completion of the latest of eight Challenger 3 prototypes being built by Rheinmetall BAE Systems Land (RBSL) for the British Army that incorporate Petards built Vehicle Integrated Control System (VICS) engine management systems. RBSL are contracted to upgrade one hundred and forty eight Challenger 2 vehicles to Challenger 3's that are expected to remain in service until at least 2040. As VICS systems have been in operational service on Challenger 2, we believe Petards is well placed to provide new systems and support during the development, production and support phases of the project.

Environmental Social Governance (ESG)

The board seeks to implement ESG ideals and objectives in a manner which is appropriate to its size and scale and to highlight in the Chairman's corporate governance statement any areas where it is not fully compliant and the reasons why. As Petards grows, the board will continue to assess and adapt its approach and, where appropriate, make changes in a proportionate and commercial manner.

Personnel

Petards and its future success very much depends on the quality, skills, experience, and dedication of its people.
On behalf of the board, I would like to thank all staff and directors, past and present, for their contribution, diligence and support throughout the year.

The Board

During the year we welcomed two new independent non-executive directors to the board and saw the retirement of another.

Earlier in the year the board was informed by Terry Connolly of his intention to retire as a non-executive director on 31 December 2023. Terry, who had been appointed to the board in 2007, has been a valued member of the board providing impartial advice as the senior independent director, as well as serving as chairman of the audit and remuneration committees. We thank him for his sound counsel and wish him a long and happy retirement.

In February 2023, we welcomed John Wakefield who was appointed to the board as an independent non-executive director and chairman of the nominations committee. John is an experienced quoted company director and corporate adviser, having qualified as a solicitor with McKenna & Co (now CMS), before a long career in corporate finance at Williams de Broe, Rowan Dartington & Co. and latterly WH Ireland. Following Terry's retirement John was appointed as senior independent non-executive director and chairman of the remuneration committee.

We were also pleased to announce the appointment of Geraint Davies as an independent non-executive director in November. Until shortly before his appointment Geraint had been an audit partner at EY, having held senior leadership roles in its practices in the UK, Channel Islands, and Europe. He has a long history of providing corporate and M&A counsel to growth companies and their boards and has succeeded Terry as chairman of the audit committee.

Acquisitions

The board believes that the successful completion of the strategic potential acquisition referred to above will lead to the Group entering an exciting new phase in its development. The board is confident that by continuing to follow its strategy of improved operational performance and selective acquisitions, it is well placed to develop the Group in 2024 and beyond.

Outlook

Group trading was slightly ahead of budget for the first quarter but the second quarter has so far shown some signs of weakness relating to delays in respect of some orders anticipated to be received and delivered in the period. The current expectation is that most, if not all, of these orders will be received during the course of the year, revenues from which will be determined by the timing of order receipt.

The board believes that the actions it has put in place and its continued focus on costs and gross profit margin performance should help to mitigate the impact on the adjusted EBITDA for the year.

Raschid Abdullah

Chairman

12 June 2024

Strategic report

Business review

During 2023 Petards' operations continued to be focused upon the development, supply and maintenance of technologies used in advanced security, surveillance and ruggedised electronic applications, the main markets for which are:

- **Rail** - software driven video and other sensing systems for on-train applications sold under the eyeTrain brand to global train builders, integrators and rail operators; and web-based real-time safety critical integrated software applications supporting the UK rail network infrastructure sold under the RTS brand;
- **Traffic** - Automatic Number Plate Recognition ("ANPR") systems for lane and speed enforcement and other applications; and UK Home Office approved mobile speed enforcement systems, sold under the QRO and ProVida brands to UK and overseas law enforcement agencies and commercial customers; and
- **Defence** - engineering services relating to electronic countermeasure protection systems, threat simulation systems, mobile radio systems; and other defence related equipment sold predominantly to the UK Ministry of Defence ("MOD").

Our objective is to develop and grow our businesses on a sustainable basis through increasing profitability and free cash flow predominantly for re-investment throughout the Group and through the fair treatment, ingenuity and efforts of our primary asset, our people, working ethically and in close partnership with our customers, suppliers and stakeholders with the objective of delivering above average returns for our investors.

Operating review

Following a difficult first half of the year where the Rail business in particular found trading conditions challenging, the second half saw an improved performance for the Group.

Full year revenue was £9,424,000 (2022: £10,872,000). Revenue for the second half of the year was £5,021,000 (H1 2023: £4,403,000) driven by a strong performance from licencing, maintenance, spares, repairs and engineering support activities within Rail, which grew 35% year on year. These largely recurring revenue streams helped generate an improved gross margin of 53% for the Group in H2 (H1 2023: 47%), giving an overall gross margin for the year of 50% (2022: 51%).

Postponements concerning the transfer of contracts to Great British Railways impacted the wider UK rail market resulting in "maintain and operate" contracts being let by the Department for Transport throughout the year. This affected both the acquisition of new clients and orders for eyeTrain systems. The UK rail market accounts for a significant proportion of the Group's activities and while market conditions remain difficult, we believe Petards Rail has positioned itself with a more competitive offering without sacrificing the quality of products, services or customer support and is well positioned for growth once the new contracts are in place.

Elsewhere in Rail, these challenging market conditions restricted RTS in its ambitions to grow its customer base for its software solutions such as Ops Suite and Asset Management Services. During the year RTS successfully secured the renewal of all its existing software licence and maintenance contracts that came up for renewal in the period. It also progressed the development of its mobile solution for its existing software offering which is currently being trialled.

Operating review (continued)

Our Defence activities contributed slightly lower revenues than the prior year, though still made a very good contribution to the overall Group's results. As part of the wider IT environment improvement project within the business, all IP drawings have been digitised during the year providing faster retrieval and easier access to data. The Group has a long history as a supplier to the MOD, DE&S and UK prime defence contractors and it continued to operate as a provider of specialist engineering services and value-added reseller to those customers.

In the final quarter of 2023, a reorganisation programme was undertaken at its Rail businesses affecting certain management and back office roles which will see overhead savings of over £0.4 million realised in 2024. An exceptional cost of £77,000 was recognised in the year in respect of this programme.

Within our Rail and Defence business, investment in a new ERP system and network infrastructure went live during the year.

The system brings productivity efficiencies through automation and enhanced data security and backup.

QRO again delivered strong results for the year though revenue was slightly down on the previous year. The QRO brand continues to increase market share and has become one of the UK's leading suppliers of ANPR solutions.

The Harrier AI ANPR camera was launched at the national ANPR conference in November 2023. It is designed and built by QRO in the UK and delivers real-time analytics ANPR software-enabled data processing. It is powered by machine learning algorithms, making it adaptive and responsive to ever-changing road conditions. The camera has already received significant orders for the current year and it is expected that the Harrier camera will help drive QRO's growth in 2024.

Financial review

Operating performance

Group revenues were lower at £9,424,000 (2022: £10,872,000), largely because of the continued delays in order placement for new-build and refurbishment train programmes experienced in the transitioning to the new organisational structure and operating model of the UK's railways referred to above.

Gross profit margin remained strong at 50% (2022: 51%) driven by the higher levels of recurring licencing, maintenance, and support revenues across all of the Group's activities.

Administrative expenses before exceptional costs of £656,000 (2022: £nil) were £5,284,000 (2022: £5,322,000). Reorganisation costs of £77,000 (2022: £nil) were incurred in late 2023 to better align the cost base with the lower revenue levels being experienced. Savings relating to these costs will be realised in 2024.

Earnings before interest, tax, depreciation, amortisation, exceptional items, acquisition costs and share based payment charges ("adjusted EBITDA"), reduced from £1,161,000 in 2022 to £340,000 in 2023.

Net financial expenses reduced to £13,000 (2022: £47,000) due to reduced interest cost on lease liabilities and lower interest on the Group's CBILs term loan as that loan was repaid in full during the year.

The tax credit of £148,000 (2022: £346,000 credit) comprised net credits of £184,000 in respect of prior years and a net charge of £36,000 in respect of the current year. The £184,000 prior year credit largely arose from SME R&D reliefs relating to 2022 that were claimed and recognised in 2023. Claims for 2023 R&D activities will be made and recognised in 2024.

The overall result for the Group for the year was a loss after tax of £1,050,000 (2022: profit of £524,000) and represented a diluted loss per share of 1.86p (2022: profit per share 0.91p).

Research and development

The Group continued to invest in its internally developed software and hardware solutions. That investment totalled £373,000 in 2023 amounting to 4.0% of revenues (2022: £247,000), of which £349,000 was capitalised (2022: £164,000). The capitalised development costs related to the new Harrier AI camera in our traffic business and the ongoing development of the Group's rail products.

Cash, cash flow and net debt

The Group recorded a cash generative operating performance with net cash inflows from operating activities before exceptional costs totalling £660,000 (2022: £583,000).

Capitalised development expenditure and IT expenditure accounted for the majority of the £485,000 net cash outflows from investing activities (2022: £298,000). The net financing outflows of £294,000 (2022: £546,000) related to repayments of the term loan and the principal repaid on lease liabilities.

At 31 December 2023 the Group's cash and cash equivalents were £1,241,000 (2022: £2,016,000). During the year the lease at the main operating site expired and a new lease has been put in place which has given rise to the increase in the IFRS 16 lease liabilities. Consequently, net funds at 31 December 2023 were £509,000 (2022: £1,677,000) after deducting IFRS 16 lease liabilities of £732,000 (2022: £214,000).

Post year end the Group has entered into a new £2.5 million overdraft facility that may be utilised for the Group's working capital purposes, and any other purpose which its bankers may approve, on an "evergreen" basis. The Group's previous 3-year £2.5 million overdraft facility was undrawn during 2023.

Osman Abdullah
Group Chief Executive

Consolidated income statement

for the year ended 31 December 2023

for the year ended 31 December 2023

	Note	2023 £000	2022 £000
Revenue	2	**9,424**	10,872
Cost of sales		**(4,669)**	(5,330)
Gross profit		**4,755**	5,542
Administrative expenses		**(5,940)**	(5,322)
Other income		**-**	6
Adjusted EBITDA*		**340**	1,161
Amortisation of intangibles		**(523)**	(586)
Depreciation of property, plant and equipment		**(161)**	(149)
Amortisation of right of use assets		**(185)**	(200)
Exceptional acquisition costs	3	**(579)**	-
Exceptional reorganisation costs	3	**(77)**	-
Share based payment charges		**-**	(1)
Operating (loss)/profit		**(1,185)**	225
Finance income		**33**	1
Finance expenses	4	**(46)**	(48)
(Loss)/profit before tax		**(1,198)**	178
Income tax	5	**148**	346
(Loss)/profit for the year attributable to equity shareholders of the parent		**(1,050)**	524
Other comprehensive income		**-**	-
Total comprehensive (loss)/income for the year		**(1,050)**	524
(Loss)/profit per ordinary share (pence)			
Basic	6	**(1.86)**	0.93
Diluted	6	**(1.86)**	0.91

* Earnings before financial income and expenses, tax, depreciation, amortisation, exceptional items, acquisition costs and share based payment charges. See Alternative Performance Measures Glossary at the end of this announcement.

Statements of changes in equity

for year ended 31 December 2023

	Share capital £000	Share premium £000	Treasury shares £000	Equity reserve £000	Retained earnings £000	Total equity £000
At 1 January 2022	575	1,624	(103)	14	5,612	7,722
Profit for the year	-	-	-	-	524	524
Total comprehensive income for the year	-	-	-	-	524	524
Contributions by and distributions to owners						
Equity-settled share based payments	-	-	-	-	1	1
Total contributions by and distributions to owners	-	-	-	-	1	1
At 31 December 2022	**575**	**1,624**	**(103)**	**14**	**6,137**	**8,247**
At 1 January 2023	575	1,624	(103)	14	6,137	8,247
Loss for the year	-	-	-	-	(1,050)	(1,050)
Total comprehensive income for the year	-	-	-	-	(1,050)	(1,050)

At 31 December 2023	**575**	**1,624**	**(103)**	**14**	**5,087**	**7,197**

Consolidated balance sheet

at 31 December 2023

	Note	2023	2022
		£000	£000
ASSETS			
Non-current assets			
Property, plant and equipment		**655**	593
Right of use assets		**691**	236
Intangible assets		**3,605**	3,829
Investments in subsidiary undertakings		**5**	5
Deferred tax assets	*7*	**470**	519
		5,426	5,182
Current assets			
Inventories		**1,735**	1,841
Trade and other receivables		**2,323**	2,502
Cash and cash equivalents		**1,241**	2,016
		5,299	6,359
Total assets		**10,725**	11,541
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	*9*	**575**	575
Share premium		**1,624**	1,624
Treasury shares		**(103)**	(103)
Equity reserve		**14**	14
Retained earnings		**5,087**	6,137
Total equity		**7,197**	8,247
Non-current liabilities			
Interest-bearing loans and borrowings	*8*	**511**	105
Current liabilities			
Interest-bearing loans and borrowings	*8*	**221**	234
Trade and other payables		**2,796**	2,955
		3,017	3,189
Total liabilities		**3,528**	3,294
Total equity and liabilities		**10,725**	11,541

Consolidated statement of cash flows

for year ended 31 December 2023

	Note	2023	2022
		£000	£000
Cash flows from operating activities			
Profit/(loss) for the year		**(1,050)**	524

Adjustments for:			
Depreciation of property, plant and equipment		**161**	149
Amortisation of right of use assets		**185**	200
Amortisation of intangible assets		**523**	586
Profit on disposal of property, plant and equipment		**(4)**	(15)
Profit on disposal of right of use assets		**-**	-
Financial income		**(33)**	(1)
Financial expenses	*4*	**46**	48
Equity settled share-based payment expenses		**-**	1
Income tax credit	*5*	**(148)**	(346)
Operating cash flows before movement in working capital		**(320)**	1,146
Change in inventories		**106**	(182)
Change in trade and other receivables		**-**	(334)
Change in trade and other payables		**(159)**	(47)
Cash generated from operations		**(373)**	583
Tax received		**377**	-
Net cash from operating activities		**4**	583
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(154)**	(61)
Acquisition of intangible assets		**(30)**	(93)
Sale of right of use assets		**15**	20
Sale of property plant and equipment		**33**	
Capitalised development expenditure		**(349)**	(164)
Net cash outflow from investing activities		**(485)**	(298)
Cash flows from financing activities			
Bank loan repaid	*8*	**(125)**	(250)
Interest paid on loans and borrowings	*8*	**(3)**	(12)
Principal paid on lease liabilities	*8*	**(123)**	(248)
Interest paid on lease liabilities	*8*	**(32)**	(24)
Other interest and foreign exchange	*4*	**(11)**	(12)
Net cash outflow from financing activities		**(294)**	(546)
Net increase in cash and cash equivalents		**(775)**	(261)
Total movement in cash and cash equivalents in the year		**(775)**	**(261)**
Cash and cash equivalents at 1 January		**2,016**	2,277
Cash and cash equivalents at 31 December		**1,241**	2,016

Notes

1 Basis of preparation

The financial information set out in this statement has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRSs"), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. It does not include all the information required for full annual accounts.

The financial information does not constitute the Company's statutory accounts for the years ended 31 December 2023 or 31 December 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered in due course. The Auditor has reported on those accounts; his reports (i) were unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying his report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going concern

Petards is a critical supplier to many of its customers supporting the UK's police and armed forces as well as the safe running of the railways. The main risks to the Group's cash flows identified are firstly, that customers may delay or re-schedule deliveries for orders already in the Group's order book and secondly that, in the short term, contract awards that the Group was expecting to secure for revenue in 2024 may be delayed. By their nature these risks are difficult for the Group to directly influence or control, but by keeping in close contact with our customers we are seeking to ensure that we are well-informed about their plans and prepared to secure contracts awards as and when the opportunities arise. The Group is fortunate that its customer base comprises blue chip companies, the UK Government and its agencies and its exposure to credit risk is low.

The Group currently meets its day to day working capital requirements through its own cash resources and its available banking facilities. Post year end the Group has entered in a new £2.5 million overdraft facility that may be utilised for the Group's working capital purposes, and any other purpose which its bankers may approve, on an "evergreen" basis. The previous 3-year £2.5 million overdraft facility was undrawn both during 2023 and in 2024 until its expiry.

The Group has prepared working capital forecasts based on the 2024 budget updated for material known changes since it was prepared. The time period reviewed is to 31 December 2025. At 31 May 2024 the Group had cash balances of £1.8 million and its £2.5 million overdraft facility was undrawn. The forecasts also consider the potential impact of contract awards that the Group is expecting to secure for revenue during the period that may be delayed or cancelled.

The Board has concluded, after reviewing the work performed and detailed above that there is a reasonable expectation that the Group has adequate resources to continue in operation until at least 30 June 2025. Accordingly, they have adopted the going concern basis in preparing these financial statements.

2 Segmental information

The analysis by geographic segment below is presented in accordance with IFRS 8 on the basis of those segments whose operating results are regularly reviewed by the Board of Directors (the Chief Operating Decision Maker as defined by IFRS 8) to make strategic decisions, to monitor performance and allocate resources.

The Board regularly reviews the Group's performance and balance sheet position for its entire operations as a whole. The Board receives financial information, assesses performance and makes resource allocation decisions for its UK based business as a whole, therefore the directors consider the Group to have only one segment in terms of products and services, being the development, supply and maintenance of technologies used in advanced security, surveillance and ruggedized electronic applications.

As the Board of Directors receives revenue, Adjusted EBITDA and operating profit on the same basis as set out in the consolidated income statement no further reconciliation or disclosure is considered necessary.

Revenue by geographical destination can be analysed as follows:

	2023	2022
	£000	£000
United Kingdom	**9,187**	10,524
Continental Europe	**114**	276
Rest of World	**123**	72
	9,424	10,872

The timing of revenue recognition can be analysed as follows:

	2023	2022
	£000	£000
Products and services transferred at a point in time	**7,950**	6,990
Products and services transferred over time	**1,474**	3,882
	9,424	10,872

3 Exceptional costs

During the year, exceptional costs totalling £656,000 were incurred (2022: nil) in respect of corporate activity and reorganisation costs. £579,000 related to legal and professional costs incurred in respect of a potential acquisition, which at the time these financial statements were approved by the Board of Directors, was in the advanced stages of being finalised. Costs of £77,000 were concerning the reorganisation of the Group's Rail business.

4 Finance income and expenses

	2023	2022
	£000	£000
Recognised in profit or loss		
Interest on bank deposits	**20**	1
Other Interest	**13**	-
Finance income	**33**	1

	2023	2022
	£000	£000

	£000	£000
Interest expense on financial liabilities at amortised cost	**3**	6
Interest expense on lease liabilities	**32**	24
Other interest payable	**-**	6
Other exchange loss	**11**	12
Finance expenses	**46**	48

5 Taxation

Recognised in the income statement

	2023	**2023**	2022	2022
	£000	**£000**	£000	£000
Current tax (credit)/expense				
Current tax charge	**29**		116	
Adjustments in respect of prior years	**(312)**		(224)	
Total current tax		**(283)**		(108)
Deferred tax (credit)/expense				
Origination and reversal of temporary differences	**(7)**		(144)	
Derecognition of previously recognised losses	**20**		-	
Recognition of previously unrecognised losses	**(57)**		-	
Utilisation of recognised tax losses	**51**		27	
Recognition of tax losses	**-**		(65)	
Adjustment in respect of prior years	**128**		(56)	
Effect of change in rate of corporation tax	**-**		-	
Total deferred tax		**135**		(238)
Total tax credit in income statement		**(148)**		(346)

The £312,000 credit to current tax in respect of prior years predominantly relates to enhanced tax deductions for R&D tax claims and losses surrendered for R&D tax credits in respect of prior years. These claims are recognised when receipt is determined to be probable.

Reconciliation of effective tax rate

	2023	2022
	£000	£000
Profit before tax	**(1,198)**	178
Tax using the UK corporation tax rate of 23.5% (*2022: 19%*)	**(282)**	34
Items not deductible for tax purposes	**136**	
Non-deductible expenses	**-**	8
Non-taxable income	**-**	(1)
Utilisation of previously unrecognised tax losses	**(63)**	(64)
Adjustments in respect of prior years	**(185)**	(280)
Effect of differential tax rate for deferred tax	**5**	(43)
Effect of tax losses generated in the year not recognised	**224**	-
De-recognition of previously recognised losses	**20**	-
Change in unrecognised temporary differences	**(3)**	-
Total tax credit	**(148)**	(346)

Factors that may affect future current and total tax charges

The main rate of UK corporation tax, which was 19% at the start of the year, changed to 25% with effect from 1 April 2023.

6 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) for the year attributable to the shareholders by the

Basic earnings per share is calculated by dividing the profit/(loss) for the year attributable to the shareholders by the weighted average number of shares in issue.

	2023	2022
Earnings		
Profit for the year (£000)	**(1,050)**	524
Number of shares		
Weighted average number of ordinary shares ('000)	**56,528**	56,528
Basic profit per share (pence)	**(1.86)**	0.93

Diluted earnings per share

Diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, which arise from share options that would decrease earnings per share or increase loss per share from continuing operations and is calculated by dividing the adjusted profit for the year attributable to the shareholders by the assumed weighted average number of shares in issue.

	2023	2022
Adjusted earnings		
Profit for the year (£000)	**(1,050)**	524
Number of shares		
Weighted average number of ordinary shares ('000)	**56,528**	57,830
Diluted profit per share (pence)	**(1.86)**	0.91

7 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2023	2022	**2023**	2022	**2023**	2022
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**-**	-	**(114)**	(66)	**(114)**	(66)
Provisions	**6**	7	**-**	-	**6**	7
Tax value of loss carry-forwards	**964**	931	**-**	-	**964**	931
Intangible fixed assets	**-**	-	**(386)**	(353)	**(386)**	(353)
Tax assets/(liabilities)	**970**	938	**(500)**	(419)	**470**	519
Offset of tax	**(500)**	(419)	**500**	419	**-**	-
Net tax assets	**470**	519	**-**	-	**470**	519

Unrecognised deferred tax assets are attributable to the following:

	Assets 2023 £000	Assets 2022 £000
Property, plant and equipment	**272**	306
Provisions	**-**	2
Tax value of loss carry-forwards	**2,009**	1,829
Tax assets	**2,281**	2,137

There is no expiry date on the above unrecognised deferred tax assets.

Movement in deferred tax during the year

	1 January 2023 £000	**Recognised in income £000**	**31 December 2023 £000**
Property, plant and equipment	**(66)**	(48)	**(114)**
Provisions	**7**	(1)	**6**
Tax value of loss carry-forwards	**931**	33	**964**

Tax value of loss carry-forwards	**931**	33	**964**
Intangible fixed assets	**(353)**	(33)	**(386)**
	519	(49)	**470**

Movement in deferred tax during the prior year

	1 January 2022 £000	Recognised in income £000	31 December 2022 £000
Property, plant and equipment	(81)	15	(66)
Provisions	6	1	7
Tax value of loss carry-forwards	926	5	931
Intangible fixed assets	(455)	102	(353)
	396	123	519

8 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	2023 £000	2022 £000
Non-current liabilities		
Lease liabilities	**511**	105
Current liabilities		
Bank loan	**-**	125
Current portion of lease liabilities	**221**	109
	221	234

The interest rate on the bank loan that was fully repaid in the year was set at The Bank of England bank rate plus 3.25% and the loan was secured by a fixed and floating charge over the assets of the Group. During the year the Group had available an undrawn 3-year £2.5 million overdraft facility. A new £2.5 million overdraft facility was entered into in May 2024 on an "evergreen" basis.

Changes in liabilities from financing activities

	Non-current loans and borrowings £000	**Current loans and borrowings £000**	**Lease liabilities £000**
Balance at 1 January 2023	-	125	214
Cash items:			
Repayment of bank loan and interest	-	(128)	-
Payment of lease liabilities	-	-	(155)
Non-cash items:			
New lease liabilities	-	-	641
Interest expense	-	3	32
Balance at 31 December 2023	**-**	**-**	**732**

	Non-current loans and borrowings £000	**Current loans and borrowings £000**	**Lease liabilities £000**
Balance at 1 January 2022	125	250	392
Cash items:			
Repayment of bank loan and interest	-	(256)	-
Payment of lease liabilities	-	-	(272)
Non-cash items:			
New lease liabilities	-	-	70
Interest expense	-	6	24
Re-classified from current to non-current in year	(125)	125	-
Balance at 31 December 2022		125	214

Balance at 31 December 2022	-	125	214

9 Share capital

	At 31 December 2023 Number	At 31 December 2022 Number
Number of shares in issue - allotted, called up and fully paid		
Ordinary shares of 1p each	**57,528,229**	57,528,229

	£000	£000
Value of shares in issue - allotted, called up and fully paid		
Ordinary shares of 1p each	**575**	575

The Company's issued share capital comprises 57,528,229 ordinary shares of 1p each of which 1,000,000 are held in treasury. Therefore, the total number of voting rights in the Company is 56,528,229.

10 Annual Report and Accounts

The Annual Report and Accounts will be sent to shareholders shortly and will be available to download on the Company's website www.petards.com.

Alternative Performance Measures Glossary

This report provides alternative performance measures ("APMs"), which are not defined or specified under the requirements of International Financial Reporting Standards. The Board believes that these APMs provide management with useful performance measurement indicators and readers with important additional information on the business.

Adjusted EBITDA

Adjusted EBITDA is earnings before financial income and expenses, tax, depreciation, amortisation, exceptional items, acquisition costs and share based payment charges. Adjusted EBITDA is considered useful by the Board since by removing exceptional items, acquisition costs and share based payments, the year-on-year operational performance comparison is more comparable.

Order intake

The value of contractual orders received from customers during any period for the delivery of performance obligations. This allows management to monitor the performance of the business.

Order book

The value of contractual orders received from customers yet to be recognised as revenue. This allows management to monitor the performance of the business and provides forward visibility of potential earnings.

Net funds

Total net funds comprise cash and cash equivalents less interest bearing loans and borrowings. This allows management to monitor the indebtedness of the Group.

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