

Annual report and financial statements
31 December 2023

Petards Group plc

Registered number 2990100





Introduction

During 2023 Petards' operations continued to be focused upon the development, supply and maintenance of technologies used in advanced security, surveillance and ruggedized 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

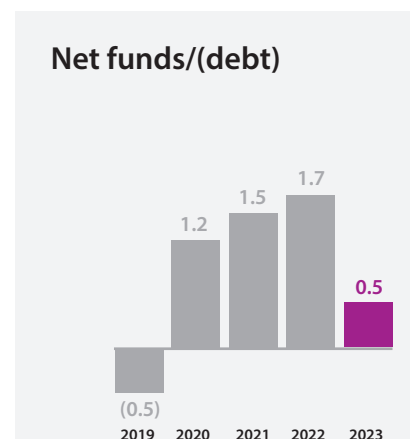
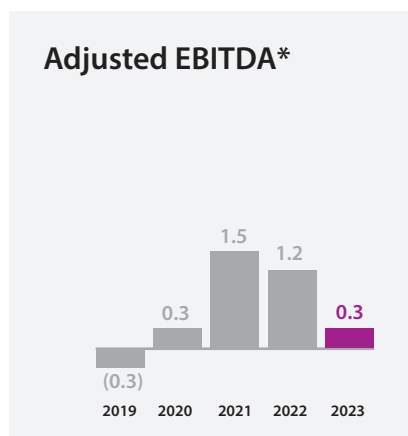
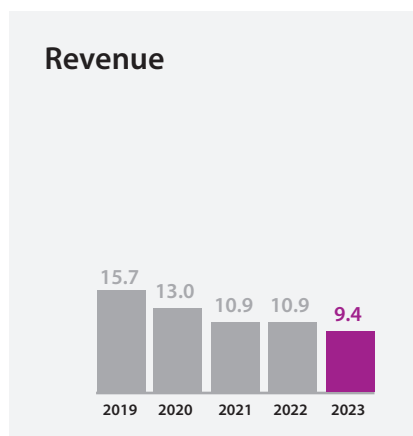
Defence – engineering services relating to electronic countermeasure protection systems, threat simulation systems, mobile radio systems, and other defence related equipment sold predominantly to the UK Ministry of Defence (“MOD”).

Contents

1	Financial and operational highlights	23	Independent auditor's report to the members of Petards Group plc
2	Chairman's statement	31	Consolidated income statement
4	Strategic report	32	Statements of changes in equity
10	Chairman's corporate governance statement	33	Balance sheets
17	Directors' remuneration report	34	Statements of cash flows
19	Directors' report	35	Notes
22	Statement of directors' responsibilities in respect of the annual report and the financial statements	69	Alternative performance measures glossary
		70	Directors, officers and advisors
		71	Notice of Annual General Meeting



Financial and operational highlights



	2023	2022
	£000	£000
Revenue	9,424	10,872
Adjusted EBITDA*	340	1,161
Operating (loss)/profit	(1,185)	225
(Loss)/Profit before taxation	(1,198)	178
(Loss)/Profit after taxation	(1,050)	524
Net cash from operating activities	4	583
Net funds (cash less debt)	509	1,677
Current net funds*	1,241	1,891
Net assets	7,197	8,247

* See Alternative Performance Measures Glossary on page 69.

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 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 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 FCA 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 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.

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.

Overheads before exceptional costs of £656,000 (2022: £nil) were £5,284,000 (2022: £5,232,000). 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.



Strategic report (continued)

Our businesses, business model and strategy

Petards Group plc was listed on AIM in 1997 and during 2023 the Group continued to supply advanced security and surveillance systems to three markets:

Rail – Software driven on-Board digital video and sensor systems for fitment to new build or retrofitted to existing rolling stock. Applications include Driver Controlled Operation (DCO), Automatic Selective Door Opening (ASDO), condition monitoring, saloon car CCTV, drivers view cameras and automatic passenger counting systems, as well as software solutions and services that support the UK rail network including incident and fault management, work site management, resource management, machine plant and asset/inventory management.

Traffic – 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.

Defence – Engineering services relating to electronic defensive countermeasure systems for rotary and fixed wing aircraft, threat simulation systems, mobile radio systems, and other defence related equipment predominantly for the UK Ministry of Defence.

The Group's customer base mainly comprises international 'blue chip' and government agencies and their strength, often global, gives rise to the opportunity to develop Petards' business through the provision of good quality professional service in support of its existing and future product ranges.

The Group develops its own products and services for sale to the Rail and Traffic markets whereas within the Defence market, in which it has a heritage of over 70 years, it is primarily a specialist "value added" re-seller and supplier of related engineering services.

The Board believes that the Group operates in growth areas and that it has the products and services plus available technical and technological skills to develop new products as well as the sales and marketing abilities to become a larger and more successful operator in each of the sectors in which it operates.

The Group's overriding objective is to achieve attractive and sustainable rates of growth and returns for shareholders and its strategy to achieve this objective is:

- to focus upon the Group's core products and services which are used in the rail, defence and traffic industries;
- to continue to invest in developing technologies to enhance its product portfolio;
- to increase revenues both organically by exploiting the synergies within the Group and by acquisition;
- to expand revenues globally into the Group's target markets; and
- to improve operating margins through cost management.

Key performance indicators

The Group uses a number of key performance indicators (KPI's) to monitor its progress against its objectives. These KPI's, have been identified as measures that key stakeholders find useful, and which have a focus on those that provide a measure of business growth, cash generation, total indebtedness and that requiring servicing within one year and comparability with similar businesses.

In addition to on time delivery and quality standards, the main KPI's, which have been reported on in the Financial Review, are:

	2023	2022
	£000	£000
Revenue	9,424	10,872
Adjusted EBITDA ¹	340	1,161
Net cash from operating activities	4	583
Net funds ²	509	1,677
Current net funds ³	1,241	1,891

1 Adjusted EBITDA comprises operating (loss)/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/(loss) is included on the face of the consolidated income statement. An Adjusted EBITDA KPI is considered useful to the Board since by removing exceptional items, acquisition costs and share based payments, the year-on-year operational performance comparison is more transparent.

2 Net funds comprises cash and cash equivalents (note 16) less interest bearing loans and borrowings (note 17).

3 Current net funds comprises cash and cash equivalents (note 16) less current liabilities in respect of interest bearing loans and borrowings, (note 17) excluding liabilities arising on the adoption of IFRS 16 'Leases'.

See Alternative Performance Measures Glossary on page 69 for a full list of Alternative Performance Measures.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy is subject to a number of risks. The main business risks affecting the Group are outlined below:

The Group may face increased competition – the Group may face greater competition including that from competitors with greater capital resources than those of the Group.

The Group may need future access to capital – the Group's capital requirements depend on numerous factors. In order to make future acquisitions and to fund growth, the Group may require further financing. This may not be able to take place if financing is not available.

The financial results of the Group can be materially affected by the timing of large contracts – the Group's revenue is generated from a mix of longer and shorter lead time orders. The timing of order placement and delivery of the larger orders is inherently difficult to predict potentially causing material fluctuations in actual results compared with expectations or plans.

Government expenditure – many of the industries that utilise the Group's products receive funding from central and local governments. The levels of funding for those industries may impact on demand for the Group's products. The Group has sought to mitigate this potential exposure by increasing its customer base and by supplying a range of products and services.

Dependence on key personnel – the Group's performance depends to a significant extent upon a limited number of key employees. The loss of one or more of these key employees and the inability to recruit people with the appropriate experience and skills could have a material adverse effect on the Group. The Group has endeavoured to ensure that these key employees are incentivised, but their retention cannot be guaranteed.

Technological changes – the Group's product offerings may be under threat should technologies be developed by competitors that render those products either redundant or uncompetitive. This could potentially result in a reduction in revenues generated by the products affected. The Group also incurs expenditure in developing new products and services. Should such development projects not be successfully completed or result in offerings that are not attractive to customers, the costs incurred may not be fully recoverable.

Further details regarding the key accounting estimates and judgements are included in note 1.



Strategic report (continued)

Directors' statement under Section 172 (1) of the Companies Act 2006

This section serves as our section 172 statement and should be read in conjunction with the rest of the Strategic Report set out on pages 4 to 7 (inclusive).

The Board is collectively responsible for the decisions made towards the long-term success of the Company and the directors are fully aware of their duty to promote the success of the Company in accordance with section 172 of the Companies Act 2006. Section 172 requires directors to take into consideration the interests of various stakeholders in their decision making, have regard, amongst other things, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationship with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

Employees

Petards' employees are one of the primary assets of its business and the Board recognises that the Group's employees are the key resource which enables delivery of the Company's vision and goals. Pay reviews are carried out to determine whether all levels of employees are benefitted equally and to retain and encourage skills vital for the business. Employee interests and welfare continued to be at the forefront of directors' minds during 2023.

Suppliers, customers and regulatory authorities

The Board acknowledges that a strong business relationship with suppliers and customers is a vital part of the Group's growth prospects. Whilst day to day business operations considering suppliers and customers are delegated to local executive management, the Board sets directions and evaluates policies with regard to new business ventures and investing in research and development. The Board upholds ethical business behaviour and encourages management to seek comparable business practices from all suppliers and customers doing business with the Company. We value the feedback we receive from our stakeholders and we take every opportunity to ensure that where possible, their wishes are duly considered.

Community and environment

The Board seeks to uphold high standards of care towards the community and environment and is conscious of the fact that the nature of the Company's business may require measures to help protect the environment. The Group has various recycling and waste reduction programmes and when developing new electronic products seeks to reduce their power consumption. A cycle to work scheme is operated in the Group's largest site and all sites monitor energy and water usage monthly targeting reductions. Community engagement included the support of apprenticeships and the recruitment of appropriately skilled staff from within the communities in which the Group's operations are based.

Maintaining high standards of business conduct

The Company is incorporated in the UK and governed by the Companies Act 2006. The Company has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the 'QCA Code') and the Board recognises the importance of maintaining a high level of corporate governance, which together with the requirements to comply with the AIM Rules ensures that the interests of the Company's stakeholders are safeguarded. The Company's expectation of honest, fair and professional behaviour is reflected by this and there is zero tolerance for bribery and unethical behaviour by anyone relating to the Company. The importance of making all staff feel safe in their environment is maintained and policies are in place to enable staff to confidentially raise concerns freely and to discuss any issues that arise. The board continue to review of the Group's control environment on an annual basis and continue to be satisfied that strong financial controls are in place, and these are documented in the Group Controls Framework.



Shareholders

The Board places equal importance on all shareholders and recognises the significance of transparent and effective communications with its investors. As an AIM listed company there is a need to provide fair and balanced information in a way that is understandable to all stakeholders and particularly our shareholders. The primary communication tool with our shareholders is through the Regulatory News Service, ("RNS") on regulatory matters and matters of material substance. The Company's website provides details of the business, details of the Board and Board Committees, changes to major shareholder information, QCA Code disclosure and updates under AIM Rule 26. Changes are promptly published on the website to enable the shareholders to be kept abreast of Company's affairs. The Company's Annual Report and Notice of Annual General Meetings (AGM) are available to all shareholders. The Interim Report and other investor presentations are also available for at least the last six years and can be downloaded from our website. The Board acknowledges that encouraging effective two-way communication with shareholders encourages mutual understanding and better connection with them. The benefits include improved information on the business and its performance, appropriate consideration of all shareholders views, as well as instilling trust and confidence to allow informed investment decisions to be made.

Strategic activity during the year

In the year to 31 December 2023 the main strategic activities of the Board were:

Significant events/decisions	Key Section 172 matters affected	Actions and impact
Launch of the new Harrier AI camera within the QRO business	Shareholders and customers	The Harrier AI camera was launched in December 2023 and is designed and built by QRO in the UK. It delivers real-time analytics ANPR software-enabled data processing and is powered by machine learning algorithms, making it adaptive and responsive to ever-changing road conditions. Shareholder value expected to increase. Improved customer service.
Continued to consider appropriate opportunities to grow the existing business by acquisition or by joint ventures	Shareholders and employees	The Group reviewed many such acquisition opportunities in the year and at the date of approval of these financial statements one is at the very advanced stages of finalisation.
Realignment of cost base in line with the changing nature of the UK rail market.	Shareholders and employees	The realignment of the cost base has been structured to ensure the retention of the Group's core skills base and remaining capable of taking advantage of new contract aware opportunities as they arise. Shareholder value expected to increase.
Increased focus on the recurring service revenues within the Rail business	Shareholders, and customers	Strategic decision to actively grow the repairs and service revenue streams within the Rail business. The service business provides strong margins and stability of earnings due to the recurring nature of the revenue. Shareholder value expected to increase. Improved customer service.

Signed on behalf of the Board

Osman Abdullah
Group Chief Executive

Parallel House
32 London Road
Guildford
Surrey
GU1 2AB
12 June 2024

Chairman's corporate governance statement

The Board is collectively responsible for Corporate Governance and I, as Chairman of the Board, am ultimately responsible for ensuring that a high level of Corporate Governance is embedded in the Company's culture.

As a company whose shares are traded on the Alternative Investment Market ('AIM') of the London Stock Exchange, Petards Group plc recognises its responsibility for the proper management of the Company and the importance of sound corporate governance, commensurate with the size and nature of the Company and the interests of its shareholders. In accordance with AIM Rule 26, which requires AIM companies to comply with a recognised code of Corporate Governance, the Board believes that the Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code") provides a suitable framework by which it is able to continue to commit to maintaining high standards of corporate governance. Accordingly, the Company complies with the 10 principles of the QCA Code where considered relevant and appropriate, having regard to the size, current stage of development and resources of the Company.

The QCA Code is applied by the Company primarily through its Board process, which includes regular meetings covering financial as well as non-financial matters which affect not only the Company's shareholders but other significant stakeholders, including employees. The Board process and corporate governance is enhanced by the establishment of Audit, Remuneration and Nominations Committees.

The Board believes that, having regard to the size of the Group, its stage of development and the resources it has available, its governance structures and practices are in compliance with the expectations of the QCA Code.

Set out below are the 10 principles of the QCA Code, together with a summary under each heading explaining how the Company has applied these. In fulfilling their responsibilities, the directors believe that they govern the Company in the best interests of its shareholders, whilst having due regard to the interests of other stakeholders in the Group including, in particular, customers, employees and creditors.

1. Establish a strategy and business model which promotes long-term value for shareholders

Application

The Board must be able to express a shared view of the Company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the Company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the Company from unnecessary risk and securing its long-term future.

Compliance

The Company's vision is to invest in and develop its business to deliver long-term, sustainable growth in shareholder value. This may come from organic growth, acquisitions or divestments.

The strategy for achieving this focuses on maintaining acceptable gross profit margins, underpinned with sensible cost and cash management, having regard to perceived risks within the industry market and sector parameters, as well as the macro-economic environment.

The Chairman's Statement and Strategic Report include detailed analysis of the Group's strategy, financial performance, principal risks and uncertainties and future expectations.

2. Seek to understand and meet shareholder needs and expectations

Application

Directors must develop a good understanding of the needs and expectations of all elements of the Company's shareholder base. The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.

Compliance

The Board recognises and understands that it has a fiduciary responsibility to the shareholders. The Board is aware of the need to protect the interests of minority shareholders and balancing these interests with those of any more substantial shareholders. The Chairman is responsible for ongoing dialogue and relationships with shareholders supported by the other directors. As such, members of the Board meet with the Company's larger shareholders during the course of the year. The Annual General Meeting is always an opportunity for the Board to communicate with shareholders and the Board welcomes the attendance and participation of all shareholders.



This communication allows the Board to understand the shareholders' views, and to ensure that the strategies and objectives of the Group are aligned with shareholders. In its decision-making, the Board will have regard to the ascertained expectations and needs of its shareholders (as appropriate in accordance with its statutory and fiduciary duties).

The Group's website (www.petards.com) allows shareholders access to information including; contact details, major shareholders and external advisors. In addition, all announcements issued since 2014 via RNS are available, together with an archive of recent financial reports and accounts and interim statements.

The resolutions to be put to a vote at each AGM can be found at the back of the relevant Annual Financial Report and the Financial Reports and Circulars section of the Company's website for any forthcoming AGM. Past AGM resolutions can be found at the back of each Annual Financial Report with the results now published in the RNS section.

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

Application

Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators, and others). The Board needs to identify the Company's stakeholders and understand their needs, interests, and expectations.

Where matters that relate to the Company's impact on society, the communities within which it operates or the environment have the potential to affect the Company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the Company's strategy and business model.

Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.

Compliance

The Group's responsibilities to stakeholders including staff, suppliers and customers and the wider society are also recognised as important to the delivery of the Company's business objectives.

The Company is committed to a series of Corporate Social Responsibility principles that provide a reference point for all stakeholders on the elements that define the conduct of the Company's business and relationships in the geographical markets in which it operates.

These principles are subject to periodic review and cover the following areas; ethics and business conduct, employees (including our supply chain), health and safety, environment and community.

The environmental impact of the Group's activities is carefully considered, and the maintenance of high environmental standards is a priority. The Group is committed to reducing that impact as far as reasonably possible through full regulatory compliance, recycling programmes and other initiatives.

The Board has regard to the feedback of relevant stakeholders in its decision-making and the formulation of strategy.

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

Application

The Board needs to ensure that the Company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including their supply chains, from key suppliers to end-customer.

Setting strategy includes determining the extent of exposure to the identified risks that the Company is able to bear and willing to take (risk tolerance and risk appetite).



Chairman's corporate governance statement (continued)

Compliance

The Board has established Audit and Remuneration Committees full details of which are contained in principle 9, below.

The Company also receives feedback from its external auditors on the effectiveness of its internal control structure.

The Audit Committee believes that there should be no internal audit function for the Group at this time considering the size of the Group and the close involvement of senior management over the Group's accounting systems. However, the Committee will keep this matter under review in the event that circumstances warrant an internal function in the future.

In addition to the activities of the Board's sub-committees, the Board approves the annual budget each year. This process allows the Board to identify key performance targets and risks expected during the upcoming year. The Board also considers the agreed budget when reviewing trading updates and considering expenditures throughout the year. Progress is monitored via monthly reporting of actual financial performance against budget. Where appropriate, forecasts are prepared to further appraise any risks arising during the year.

The Group has clear authority limits deriving from the list of matters reserved for decision by the Board, including capital expenditure approval procedures.

The Board regularly reviews and monitors Key Performance Indicators, including those related to banking covenants.

The Board plans to develop a risk register to assist in addressing and monitoring the risks critical to executing and delivering its strategy.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

Application

The Board members have a collective responsibility and legal obligation to promote the interests of the Company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the Chair of the Board.

The Board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The Board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a Board judgement and takes into account length of time directors have been involved with the Company and any interests in shares held.

The Board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.

Directors must commit the time necessary to fulfil their roles.

Compliance

The principal risks faced by the Group are addressed by the appointment of an experienced executive Board supported by experienced independent non-executive directors and a team of appropriately qualified professional advisers.

The executive directors are closely involved in the day to day operations of the Group and report to the Board in detail, typically on a monthly basis. Their reports include the status and trends of agreed Key Performance Indicators that are noted in the Group's Annual Financial Report in the Strategic Report and Financial and Operational Highlights.



Fourteen main Board meetings were held during 2023. The Board records attendance at all Board meetings and the table below shows attendance by each director.

Raschid Abdullah	14/14
Osman Abdullah	13/14
Paul Negus	13/14
Terry Connolly	11/14
John Wakefield	11/12
Geraint Davies	2/2

The Board considers itself sufficiently independent. The QCA Code suggests that a board should have at least two independent non-executive directors. The Board have considered each non-executive directors' length of service and interests in the share capital of the Group and consider that Mr Wakefield and Mr Davies are independent of the executive management and free from any undue extraneous influences which might otherwise affect their judgement. All board members are fully aware of their fiduciary duty under company law and consequently seek at all times to act in the best interests of the Company as a whole.

The role of the independent non-executive directors is to bring independent judgement to Board deliberations and decisions. The independent non-executive directors have no personal financial interest, other than as shareholders, in the matters to be decided. Whilst the Company is guided by the provisions of the QCA Code in respect of the independence of directors, it gives regard to the overall effectiveness and independence of the contribution made by directors to the Board in considering their independence and does not consider a director's period of service in isolation to determine this independence.

The Board has sub-committees appointed to review the specific matters of Audit, Remuneration and Nominations. The Audit and Remuneration Committees are chaired by Mr Davies and the Nominations Committee is chaired by Mr Wakefield. Further details are provided under principle 9, below.

The Board is confident that each current member has the necessary skills, experience and knowledge to discharge his duties and responsibilities effectively and that each commits the time necessary to fulfil his role.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

Application

The Board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The Board should understand and challenge its own diversity, including gender balance, as part of its composition.

The Board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a Board.

As companies evolve, the mix of skills and experience required on the Board will change, and Board composition will need to evolve to reflect this change.

Compliance

Collectively the directors have a wealth of knowledge and experience of the Group's business operations and financial management, and of the market sector in which it operates.

The Board is collectively aware of its need to consider and review its composition, in terms of individual personalities, diversity and gender. Having regard to the size and stage of development of the Group and of its internal resources and management support structure beneath it, the Board believes that it currently has an appropriate mix of personal qualities, experience and capability.



Chairman's corporate governance statement (continued)

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

Application

The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.

The Board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.

It is healthy for membership of the Board to be periodically refreshed. Succession planning is a vital task for Boards. No member of the Board should become indispensable.

Compliance

The Board undertakes regular monitoring of personal and corporate performance using agreed key performance indicators and detailed financial reports.

Key performance indicators include: revenues, Adjusted EBITDA, pre-tax (loss)/profit, cash generation, net cash, net assets and earnings per share.

The Board considers the need for refreshing its membership and is also responsible for succession planning. Having regard to the size and stage of development of the Group and of its internal resources and management support structure beneath it, the Board believes that it currently has an appropriate mix of personal qualities, experience and capability and that it undertakes sufficient procedures to review its own effectiveness and performance as a unit, as well as that of its committees and individual members.

8. Promote a corporate culture that is based on ethical values and behaviours

Application

The Board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.

The policy set by the Board should be visible in the actions and decisions of the Chief Executive and the rest of the management team. Corporate values should guide the objectives and strategy of the Company.

The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the Company.

The corporate culture should be recognisable throughout the disclosures in the Annual Report, website and any other statements issued by the Company.

Compliance

The Board is committed to embodying and promoting a sound corporate culture and has endorsed various policies which require ethical behaviour of staff and relevant counterparties (such as those mandating anti-corruption, anti-counterfeiting, fair treatment and equality of opportunity).

The Board and management conduct themselves ethically at all times. The Group values its reputation for ethical behaviour and has a set of values that are at the core of its business philosophy.



9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Application

The Company should maintain governance structures and processes in line with its corporate culture and appropriate to its:

- size and complexity; and
- capacity, appetite and tolerance for risk.

The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Company.

Compliance

Whilst the Company recognises the importance of high standards of Corporate Governance, the Board has sought to address the matter in a proportionate way having regard to the size and resources of the Group.

The principal risks faced by the Group are addressed by the appointment of an experienced executive Board, supported by experienced independent non-executive directors, an experienced, capable and diverse operational management support structure and a team of appropriately qualified external professional advisers.

The Board aims to hold twelve formally constituted meetings per annum at which it typically reviews the Group's financial performance and risk profile and considers strategies for future growth.

The Board is supported by the Company Secretary who records and distributes minutes of the meetings on a timely basis.

In support of its aim of maintaining governance structures and processes, the Board has sub-committees appointed to review the specific matters of Audit, Remuneration and Nominations.

Audit Committee

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored and for meeting the auditors and reviewing their reports in relation to the accounts and the audit. It holds a formal meeting with the external auditors at least twice a year.

The Audit Committee evaluates the independence and objectivity of the external auditor and takes into consideration all United Kingdom professional and regulatory requirements. Consideration is given to all relationships between the Group and the audit firm including in respect of the provision of non-audit services. The Audit Committee considers whether those relationships appear to impair the auditor's judgement or independence. The Audit Committee believes they do not.

The Audit Committee believes that there should be no internal audit function for the Group at this time considering the size of the Group and the close involvement of senior management over the Group's accounting systems. However, the Committee will keep this matter under review in the event that circumstances warrant an internal function for the Group in the future.

Remuneration Committee

The Remuneration Committee is responsible for setting the scale and structure of the executive directors' remuneration. It also recommends the allocation of share options to directors and other employees.

The responsibilities of both the Audit and Remuneration Committees are undertaken by the Company's independent non-executive directors, who seek independent advice from external advisors as he feels is appropriate and necessary.

Nomination Committee

The whole Board undertakes the Nomination Committee responsibilities. The remit comprises all new appointments of directors and senior management throughout the Group; nominations, interviewing, taking up references and considering related matters.



Chairman's corporate governance statement (continued)

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

Application

A healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Company.

In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist:

- the communication of shareholders' views to the Board; and
- the shareholders' understanding of the unique circumstances and constraints faced by the Company.

It should be clear where these communication practices are described.

Compliance

The Board is conscious of the need to engage with shareholders and other stakeholders so that interested parties have sufficient information on which to make informed decisions about the Company.

The Company's Annual Financial Report provides information on a number of key areas, including the following:

- corporate governance, including reference to the QCA Code;
- operational and financial review;
- a summary of the business, the business model and strategy;
- significant risks and uncertainties;
- significant accounting policies and particularly areas which are subject to judgements, estimates and assumptions; and
- a Remuneration Committee Report.

No separate Audit Committee Report is provided as its Chairman considers that its activities are adequately set out within Principle 9 above.

The Company's website provides further information on a number of key areas, including the following:

- material on the Company's corporate governance framework;
- the AGM Statement and results of voting at the AGM;
- regulatory news; and
- historical Annual Financial Reports.

Both this Annual Financial Report and the Company's website provide information on forthcoming AGMs and a list of external advisers.

Further details regarding the communication between the Company and its shareholders is explained in the disclosure above against principle 2.



Directors' remuneration report

Remuneration Committee

The Remuneration Committee is presently comprised of the two non-executive directors, chaired by Mr J Wakefield.

Remuneration policy

The Remuneration Committee reviews the performance of executive directors and sets the scale and structure of their remuneration and other benefits. Individual rewards and incentives are aligned with the performance of the Group and the interests of the shareholders and are set at an appropriate level in order to attract, retain and motivate executives who are expected to meet challenging performance criteria.

The committee also recommends the allocation of share options to directors and other employees.

Service contracts

No directors have contracts of service with notice periods that exceed 12 months.

Directors' emoluments

Details of individual director's emoluments are set out in note 4 to the financial statements.

Directors' share interests

The directors' beneficial interests in the shares of the Company at the year-end were as follows:

	Ordinary Shares of 1p each at 31 December 2023	Ordinary Shares of 1p each at 31 December 2022
R Abdullah	3,476,909	3,476,909
O Abdullah	2,139,948	2,139,948
T Connolly	30,000	30,000
P Negus	575,000	575,000

Directors' remuneration report (continued)

Directors' interests in share options

At 31 December 2023 the number of options to subscribe for ordinary shares of 1p held by directors was as follows:

	Number of options at 1 January 2023	Exercised during the year	Lapsed during the year	Granted during the year	Number of options at 31 December 2023	Exercise price (pence)	Date first exercisable	Expiry date
R Abdullah	850,000	–	–	–	850,000	12.25p	06.01.19	05.01.26
	575,000	–	–	–	575,000	21.50p	31.10.21	30.10.28
O Abdullah	1,312,500	–	1,312,500	–	–	–	–	–
	850,000	–	–	–	850,000	12.25p	06.01.19	05.01.26
	575,000	–	–	–	575,000	21.50p	31.10.21	30.10.28
P Negus	300,000	–	–	–	300,000	21.50p	31.10.21	30.10.28

The share price at 31 December 2023 was 4.40p and the share price ranged during the year from 3.40p to 11.50p.

There have been no changes to directors' interests since the year end.

Non-executive directors

Fees for the non-executive directors are determined by the Board as a whole having regard to the time devoted to the Company's affairs. The non-executive directors are not part of any pension, share option or bonus schemes of the Group.

John Wakefield

Director

12 June 2024

Directors' report

The directors present their report and financial statements for the year ended 31 December 2023.

Board of Directors and Directors' interests

The Board currently comprises an executive Chairman, two executive directors and two non-executive directors as follows:

Raschid Abdullah – Executive Chairman

Raschid was appointed Executive Chairman in January 2013 and until its purchase by Petards was also Executive Chairman of Water Hall Group plc, which was listed on AIM.

He was previously Executive Chairman of Evered Holding plc, a fully listed public company specialising in industrial and quarry related products, from 1982 to 1989. Raschid started his commercial life within the construction industry in the areas of building product supplies and the provision of specialist subcontracting services starting his first business in 1971 which he sold to a competitor in 1976. He then joined the family business providing a range of services to clients in the Middle East.

Osman Abdullah – Group Chief Executive

Osman Abdullah was appointed to the Board in September 2010 as a Non-Executive Director, becoming executive chairman of the Group's principal trading subsidiary in 2013 and was appointed as Group Chief Executive in January 2016.

He was formerly Group Chief Executive of Evered Holdings plc, a fully listed public company specialising in industrial manufacturing, distribution and quarry mining related products from 1981 to 1989. He subsequently served as a non-executive director of Umeco plc from 1993 to 2005 a fully listed company specialising in component distribution and the manufacture of composite material based products principally to the aerospace industry.

Paul Negus – Director

Paul Negus joined the Board in September 2014 responsible for business development for Petards rail products. He has considerable commercial experience having spent eight years as Managing Director of PIPS Technology Limited, a developer of automatic number plate recognition and CCTV systems, first under private ownership and latterly under the ownership of Federal Signal Inc.

John Wakefield – Non-Executive Director

John Wakefield was appointed in February 2023. He is an experienced quoted company director and corporate adviser. He qualified as a solicitor with McKenna & Co (now CMS) before moving into corporate finance, first with Williams de Broe Limited and then at Rowan Dartington & Co. Limited, where he was a founder director and shareholder and head of corporate finance. He was a corporate finance director of WH Ireland Limited from 2009 until 2016.

He has been a member of the AIM Advisory Group, chairman of the London Stock Exchange Regional Advisory Group for the South West and chairman of South West Angel and Investor Network Limited (SWAIN) from 2008 until 2016. He is currently Non-Executive Chairman of Baron Oil plc and a non-executive director of Drumz plc. John is Chairman of the Nominations Committee the Remuneration Committee and a member of the Audit Committee.

Geraint Davies – Non-Executive Director

Geraint Davies is a Fellow of the Institute of Chartered Accountants with over 30 years' experience, working with global national and local organisations in the private and public sector. Prior to his appointment, Geraint held senior leadership roles in EY's practices in the Channel Islands, the UK, and Europe, most recently in Malta. He has also previously held roles with PwC and Deloitte. He is Chairman of the Audit Committee.

Directors' interests in the share capital of the Company are set out in the Remuneration Report.

Research and development

The Group is committed to research and development activities to secure competitive advantage in the markets in which it operates. An amount of £349,000 (2022: £164,000) has been capitalised during the year which relates to the development of the new Harrier AI camera in our traffic business and the ongoing development of the Group's rail products. In addition, the Group expensed other development expenditure totalling £24,000 (2022: £140,000) directly to the Income Statement.



Directors' report (continued)

Financial instruments and financial risk management

The Group presently finances its operations through a mixture of cash resources, bank borrowings, retained earnings and share capital. Its principal financial instruments comprise cash and bank borrowings together with trade receivables and trade payables.

The Group's other financial instruments arise from its day to day operations and comprise primarily of short term debtors and creditors and, where deemed appropriate, forward currency contracts.

Further details of the Group's financial instruments are given in note 23 to the financial statements and the directors consider the principal risk associated with the Group's financial instruments to be liquidity risk.

Employment policies

The Group has established policies to comply with the relevant legislation and codes of practice regarding employment and equal opportunities. It keeps its employees informed of matters affecting them as employees through regular team briefings throughout the year and has a policy that training, career development and promotion opportunities should be available to all employees.

It is the Group's policy to give full and fair consideration to applications for employment by people who are disabled, to continue wherever possible the employment of staff who become disabled and to provide equal opportunities for the career development of disabled employees.

Fostering relationships with stakeholders

The Board is committed to fostering good relationships with stakeholders and its approach is outlined in the Section 172 Statement on page 10.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Substantial shareholdings

At 31 May 2024 the Company was aware of the following interests in three percent or more of its issued share capital.

Name of holder	Number of shares	Percentage held
K7 Financial Company WLL	8,615,268	15.24%
R M Abdullah	3,476,909	6.15%
T W G Charlton	3,050,000	5.40%
A Perloff	3,000,000	5.31%
Philip J Milton & Company Plc	2,575,195	4.56%
Mr Osman Abdullah	2,139,948	3.79%
Mr J Hicking	1,900,000	3.36%
MT Zahid	1,875,000	3.32%
YT Zahid	1,875,000	3.32%
Mr J Cranston	1,820,000	3.22%
John Peter Lobbenberg and family	1,815,550	3.21%

Results and dividends

The loss for the year after tax was £1,050,000 (2022: profit of £524,000). The Directors do not recommend the payment of a dividend.

Going concern

After making detailed enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly continues to prepare the financial statements on a going concern basis. Further details relating to going concern are provided at note 1 on page 35 to the financial statements.

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of BDO LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Raschid Abdullah

Director

Parallel House
32 London Road
Guildford
Surrey
GU1 2AB

12 June 2024



Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK adopted international accounting standards and have elected to prepare the parent Company financial statements in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK adopted international accounting standards;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Independent auditor's report to the members of Petards Group plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Petards Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated Income Statement, Statements of Changes in Equity, Balance Sheets, Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's

responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included in the key audit matter section.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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



Independent auditor’s report to the members of Petards Group plc (continued)

Overview

Coverage

95% (2022: 94%) of Group revenue
 8% (2022: 98%) of Group total assets

Key audit matters

	2023	2022
Revenue recognition	✓	✓
Goodwill and intangible asset impairment	✓	✓
Going Concern	✓	-

Materiality

Group financial statements as a whole

£94,000 (2022: £110,000) based on 1% (2022: 1%) of revenue

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group’s operations are based in Gateshead, Kettering and Guildford in the United Kingdom.

We identified six components, three of which were considered significant and subject to a full-scope audits by the group audit team. The non-significant components were subject to desktop reviews and specific audit procedures on certain financial statements areas by the group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matter	How the scope of our audit addressed the key audit matter
<p>Revenue recognition</p> <p><i>Fraud risk over existence of revenue and cut-off (refer accounting policy on page 36, including key estimates on page 36)</i></p>	<p>The Group earns revenue from the sale of engineering services, software and hardware.</p> <p>Revenue is the primary determinant of the Group's profitability and one of the primary measures of performance communicated to investors.</p> <p>A significant element of the risk of material misstatement is the fraud risk in revenue relates to the potential for posting of unusual combination of journal entries to revenue to improve results.</p> <p>Hardware and software sales are delivered around the year end, risk being recognised before the performance obligations have been satisfied and in case of service revenues not being appropriately deferred.</p> <p>For these reasons we considered this to be a key audit matter.</p> <p>Our procedures included:</p> <p>Response to the fraud risk</p> <p>In response to the fraud risk, we have performed Journal testing to address the risk of fraud in revenue recognition, and as a result we identified "unusual account combinations" as the risk criteria and have tested all journals that were identified as unusual in line with the risk criteria.</p> <p>Response to the existence risk and cut off risk</p> <p>Hardware and Software sales:</p> <p>We tested a sample of hardware and software sales assessing whether revenue was recognised in the appropriate accounting period through agreeing revenue recorded to supporting documentation such as despatch notes, delivery notes and customer acceptance. This testing was carried out with a particular focus on transactions with a close proximity to the year end.</p> <p>Service Sales:</p> <p>For service revenues, on a sample basis we recalculated the revenue to be recognised over time agreed with reference to the contractual terms and also recalculated the deferred revenue at the year end date.</p> <p>Result:</p> <p>Based on our procedures performed we did not identify any matters to suggest that revenue recognised during the audit period was not appropriate.</p>
<p>Goodwill and other intangible asset impairment risk; subsidiary carrying value impairment risk within the parent company financial statements (see note 11)</p> <p><i>The accounting policy in respect of the accounting for impairment is included within the accounting policy on page 36. The accounting estimates and judgements in respect of impairments are included within the accounting judgements and estimates note on page 36.</i></p>	<p>Goodwill is tested for impairment at least annually through comparing the recoverable amount of the cash-generating unit, based on a value-in-use calculation, to the carrying value. Furthermore, other intangible assets are tested for impairment where an indicator of impairment arises.</p> <p>The risk that goodwill and intangible assets may be impaired is considered to be a key audit matter due to the level of judgement involved in the impairment review and the opportunity and incentive for management bias within the impairment model assumptions.</p> <p>At parent company level, the risk also applies to the carrying value of the subsidiary entities.</p> <p>Our procedures included the following:</p> <p>Impairment indicators check:</p> <p>We examined the Group's goodwill and intangible assets for indicators of impairment such as considering whether there was any evidence of a decline in the value of the assets due to events during the year and comparing net assets to market capitalisation. In our consideration of evidence of decline in value of assets, we compared actual revenues to previous forecasts, reviewing whether cash generating unit actual revenues were on the decline, indicating possible obsolescence in the intangible assets.</p> <p>Management assessment of impairment:</p> <p>We also assessed impairment reviews prepared by management, specifically reviewing the integrity of management's value-in-use model, such as agreeing the inputs on a sample basis to source documentation such as board approved forecasts and checking the mathematical accuracy. With the assistance of our internal valuation experts, we challenged the key assumptions and estimates, being forecast growth rates, operating cash flows and the discount rate. We stress tested the models by flexing the assumptions impacting estimated future operating cashflows.</p> <p>Internal valuation experts used:</p> <p>Furthermore, with the assistance of our internal valuation experts we used market data to independently calculate a discount rate for comparison and also performed our own sensitivity analysis upon the key valuation inputs.</p> <p>Assessing impairment of investments at parent company level:</p> <p>At parent company level, we considered impairment indicators through comparing the carrying value of the investments in subsidiaries with the market capitalisation of the group at the balance sheet date.</p>



Independent auditor’s report to the members of Petards Group plc (continued)

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Going Concern (see Notes to the Financial Statements for accounting policies on going concern on page 35)</p> <p>The directors’ assessment of going concern involves a number of highly subjective judgements and accordingly, we consider the going concern assessment and disclosure to be a significant risk and Key Audit Matter.</p>	<p>Our procedures included the following:</p> <p>Review of the Director’s assessment:</p> <p>The Directors’ method for assessing going concern including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and where relevant, consistent with each other. In our evaluation of reliability of underlying data and assumptions used in the assessment, we compared current year actual results to budgets and forecasts prepared in the previous year.</p> <p>Future assessment:</p> <p>The Directors’ plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances. This included considering the accuracy of historic forecasting and carrying out sensitivity analysis.</p> <p>Stress test on forecasts</p> <p>The Directors’ stress-testing of the forecasts to the extent of reasonable worst-case scenarios, which included modelling revenue slippage in the delivery of contracts in the rail business. We have assessed these assumptions against past performance and the Group and Parent company’s results for the financial year to date.</p> <p>Adequacy of disclosures:</p> <p>The adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment in accordance with the relevant accounting standards.</p> <p>Result:</p> <p>Our conclusions are set out in the Conclusions related to going concern section of our report.</p>



Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2023 £000	2022 £000	2023 £000	2022 £000
Materiality	94	110	51	100
Basis for determining materiality	1% of revenue	1% of revenue	Lower of 0.5% of total assets or 95% of Group materiality	2022: 95% of Group materiality
Rationale for the benchmark applied	Revenue is considered to be one of the principal considerations for the users of the financial statements in assessing the financial performance of the Group.		% of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	73	83	39	75
Basis for determining performance materiality and rationale for percentage applied	75% (2022: 75%) of materiality. This was on the basis of our risk assessment, together with our assessment of the Group's and Parent Company's overall control environment and our past experience of the audit which has indicated a low number of corrected and uncorrected misstatements in the prior periods and Management's willingness to investigate and correct these.			

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 9% and 95% (2022: 29% and 95%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £9,000 to £90,000 (2022: £7,000 to £100,000). In the audit of each component, we further applied performance materiality levels of 75% (2022: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £2,280 (2022: £3,300). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independent auditor’s report to the members of Petards Group plc (continued)

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<p>Strategic report and Directors’ report</p>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> the information given in the Strategic report and the Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors’ report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors’ report.</p>
<p>Matters on which we are required to report by exception</p>	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company financial statements are not in agreement with the accounting records and returns; or certain disclosures of Directors’ remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors’ responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group’s and the Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:



Non-compliance with laws and regulations

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance and the Audit Committee; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be UK adopted international accounting standards, Companies Act 2006, QCA Code, AIM Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be tax legislation and health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Engagement partner assessment that the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations based on experience of the industry; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

We focused on laws and regulations that could give rise to a material misstatement in the Group financial statements.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance (including the Audit Committee) regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these;
- Obtaining an understanding of how cash can be fraudulently taken out of the Group, and how other assets (including stock) can be misappropriated; and

Based on our risk assessment, we considered the areas most susceptible to fraud to be

- Revenue recognition and posting of unusual combination of journal entries to revenue to improve results; and
- adoption of undue management bias in accounting estimates and judgements.



Independent auditor's report to the members of Petards Group plc (continued)

Our procedures in respect of the above included:

- Testing a sample of revenue transactions around year end to ensure revenue was recognised in the appropriate period, as noted in the revenue recognition key audit matter.
- We have performed Journal testing to address the risk of fraud in revenue recognition, and as a result we identified “unusual account combinations” as the risk criteria and have tested all journals that were identified as unusual in line with the risk criteria; and
- Assessing significant estimates made by management for bias (particularly discount rates and growth rates adopted in impairment assessment).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Arbinder Chatwal (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton UK
12 June 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



Consolidated income statement

For 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	11	(523)	(586)
Depreciation of property, plant and equipment	8	(161)	(149)
Amortisation of right of use assets	10	(185)	(200)
Exceptional acquisition costs	28	(579)	–
Exceptional reorganisational costs	28	(77)	–
Share based payment charges	19	–	(1)
Operating (loss)/profit		(1,185)	225
Finance income	5	33	1
Finance expenses	5	(46)	(48)
(Loss)/profit before tax	3	(1,198)	178
Income tax	6	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	7	(1.86)	0.93
Diluted	7	(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 on page 69.

The accompanying notes form an integral part of the financial statements.

Statements of changes in equity

For year ended 31 December 2023

Group	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 loss for the year	–	–	–	–	(1,050)	(1,050)
At 31 December 2023	575	1,624	(103)	14	5,087	7,197

Company	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	8,172	10,282
Profit for the year	–	–	–	–	229	229
Total comprehensive income for the year	–	–	–	–	229	229
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	8,402	10,512
At 1 January 2023	575	1,624	(103)	14	8,402	10,512
Loss for the year	–	–	–	–	(317)	(317)
Total comprehensive loss for the year	–	–	–	–	(317)	(317)
At 31 December 2023	575	1,624	(103)	14	8,085	10,195

The accompanying notes form an integral part of the financial statements.

Balance sheets

At 31 December 2023

	Note	Group 2023 £000	2022 £000	Company 2023 £000	2022 £000
ASSETS					
Non-current assets					
Property, plant and equipment	8,9	655	593	–	–
Right of use assets	10	691	236	–	–
Intangible assets	11	3,605	3,829	–	–
Investments	12	5	5	12,856	12,856
Deferred tax assets	13	470	519	181	191
		5,426	5,182	13,037	13,047
Current assets					
Inventories	14	1,735	1,841	–	–
Trade and other receivables	15	2,323	2,502	471	229
Cash and cash equivalents	16	1,241	2,016	604	129
		5,299	6,359	1,074	358
Total assets		10,725	11,541	14,112	13,405
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	20	575	575	575	575
Share premium		1,624	1,624	1,624	1,624
Treasury shares	21	(103)	(103)	(103)	(103)
Equity reserve	22	14	14	14	14
Retained earnings		5,087	6,137	8,085	8,402
Total equity		7,197	8,247	10,195	10,512
Non-current liabilities					
Interest-bearing loans and borrowings	17	511	105	–	–
Trade and other payables	18	–	–	1,086	1,018
		511	105	1,086	1,018
Current liabilities					
Interest-bearing loans and borrowings	17	221	234	–	125
Trade and other payables	18	2,796	2,955	2,831	1,750
		3,017	3,189	2,831	1,875
Total liabilities		3,528	3,294	3,917	2,893
Total equity and liabilities		10,725	11,541	14,112	13,405

As permitted by section 408 of the Companies Act 2006, the parent company's income statement has not been included in these financial statements. The parent company's loss for the financial year was £317,000 (2022: profit of £229,000).

These financial statements were approved by the Board of Directors on 12 June 2024 and were signed on its behalf by:

Raschid Abdullah

Director

Registered number: 02990100

The accompanying notes form an integral part of the financial statements.

Statements of cash flows

For year ended 31 December 2023

		Group		Company	
	Note	2023	2022	2023	2022
		£000	£000	£000	£000
Cash flows from operating activities					
(Loss)/profit for the year		(1,050)	524	(317)	229
Adjustments for:					
Depreciation of property, plant and equipment	8,9	161	149	–	–
Amortisation of right of use assets	10	185	200	–	–
Amortisation of intangible assets	11	523	586	–	–
Profit on disposal of property, plant and equipment		(4)	(15)	–	–
Profit on disposal of right of use assets		–	–	–	–
Finance income	5	(33)	(1)	(20)	(1)
Finance expenses	5	46	48	51	45
Equity settled share-based payment expenses	19	–	1	–	1
Income tax (credit)/charge	6	(148)	(346)	10	(2)
Operating cash flows before movement in working capital					
		(320)	1,146	(276)	272
Change in inventories		106	(182)	–	–
Change in trade and other receivables		–	(334)	90	(13)
Change in trade and other payables		(159)	(47)	817	(866)
Cash generated from operations					
		(373)	583	631	(607)
Tax received		377	–	–	2
Net cash from/(used in) operating activities					
		4	583	631	(605)
Cash flows from investing activities					
Acquisition of property, plant and equipment	8,9	(154)	(61)	–	–
Acquisition of intangible assets	11	(30)	(93)	–	–
Sale of property, plant and equipment	8	15	20	–	–
Interest received		33	–	20	–
Capitalised development expenditure	11	(349)	(164)	–	–
Net cash (outflow)/inflow from investing activities					
		(485)	(298)	20	–
Cash flows from financing activities					
Bank loan repaid	17	(125)	(250)	(125)	(250)
Interest paid on loans and borrowings	5	(3)	(12)	(51)	(44)
Principal paid on lease liabilities	17	(123)	(248)	–	–
Interest paid on lease liabilities	17	(32)	(24)	–	–
Other interest and foreign exchange	5	(11)	(12)	–	–
Net cash outflow from financing activities					
		(294)	(546)	(176)	(294)
Net (decrease)/increase in cash and cash equivalents					
		(775)	(261)	475	(899)
Total movement in cash and cash equivalents in the year					
		(775)	(261)	475	(899)
Cash and cash equivalents at 1 January					
		2,016	2,277	129	1,028
Cash and cash equivalents at 31 December					
	16	1,241	2,016	604	129

The accompanying notes form an integral part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Petards Group plc (the "Company") is a company incorporated in the UK.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Statement of compliance

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with UK adopted international accounting standards and the parent company financial statements in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

Basis of preparation

The consolidated financial statements are presented in GBP which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards).

The preparation of financial statements in compliance with adopted IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies.

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.



Notes (continued)

(forming part of the financial statements)

1 Accounting policies continued

Changes in accounting policies

The Group has applied the following standards and amendments for the first time in the annual reporting period commencing 1 January 2023, which have had no material impact on the Group's financial statements for the year ended 31 December 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

Judgements and estimates

The preparation of financial statements requires the directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

Key Judgements

(a) Revenue recognition (note 2)

The Group recognises revenue when it transfers control over a product or service to its customer. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Where a modification to an existing contract occurs, the Group assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied by the Group, or whether it is a modification to the existing performance obligation.

The Group applies judgements and estimates to its portfolio of contracts in order to identify specific performance obligations and the timing of transfer of control of a product or service to a customer. The most significant area of judgement arises in the determination of revenue recognition when undertaking engineering development contracts. Those undertaken in 2022 and 2023 have been recognised at a point in time on acceptance, rather than over the duration of the project. The impact of this is to defer revenue to the point at which the development is completed. At 31 December 2023 contract liabilities (note 18) included no revenues deferred in this way (2022: nil).

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group has not needed to apply estimates and judgements in respect of the time value of money as applied to transaction prices.

(b) Recognition of deferred tax assets (notes 6 and 13)

The Group has substantial deferred tax assets. Determining how much of these assets can be recognised requires an assessment of the extent to which it is probable that future taxable profits will be available. This assessment is based on management's future assessment of the Group's financial performance and forecast financial information. If sufficient future taxable profits are not available, the value of the deferred tax asset will reduce by an amount equal to 25% of any shortfall.

(c) Impairment of intangible assets (note 11)

The Group performs impairment reviews at the reporting period end to identify any intangible assets that have a carrying value that is in excess of its recoverable value. Determining the recoverability of an intangible asset requires judgement in both the methodology applied and the key variables within that methodology. Where it is determined that an intangible asset is impaired, its carrying value will be reduced to its recoverable value with the difference recorded as an impairment charge in the income statement.

Sensitivity analysis has been performed on the key assumptions for discount rate and forecast future cashflows to determine when impairment would occur.

1 Accounting policies *continued*

d) *Capitalised development expenditure (note 11)*

This involves judgement in the identification of development expenditure which is appropriate to capitalise and which is recoverable through future product revenue, together with an assessment of the estimated useful economic life of any asset recognised. Assets recognised in this way are also subject to impairment reviews.

The estimates and associated assumptions are based on forecasts of future product revenues, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The impact should the actual useful economic lives of one or more of the products be shorter than estimated would be an additional amortisation charge at that time. The conservative nature of the rail industry, and the long asset lives of the rail vehicles to which the Group's products are fitted, has historically meant that no material adjustments of this nature have been required. At 31 December 2023 the net book value of capitalised development expenditure was £1,718,000 (2022: £1,809,000).

Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated when preparing the consolidated financial information.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

Classification of financial instruments issued by the Group

In accordance with IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of financial expenses. Finance payments associated with financial instruments that are classified in equity are treated as distributions and are recorded directly in equity.



Notes (continued)

(forming part of the financial statements)

1 Accounting policies continued

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment in the Company balance sheet.

Derivative financial instruments

Derivative financial instruments are recognised both initially and subsequently at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

Intra-group financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	life of lease straight line
<i>Plant and equipment:</i>	
Plant and equipment	3 - 10 years
Computer equipment	3 - 5 years
Furniture and fittings	3 - 5 years
Motor vehicles	4 - 5 years

The residual values and useful economic lives are reassessed annually.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.



1 Accounting policies *continued*

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged on a straight line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use.

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on activities for the development of new or substantially improved products is capitalised if the product is technically and commercially feasible, and the Group has the technical ability and has sufficient resources to complete development and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Development expenditure not meeting the above criteria is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Internally generated development expenditure is amortised on a straight line basis over the period which the directors expect to obtain economic benefits (typically 3 to 8 years from the asset being available for use). Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Technology related assets	4 - 10 years
Customer related assets	3 - 5 years

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank borrowings that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill is allocated to cash generating units and is tested annually for impairment and more frequently if there are indications of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.



Notes (continued)

(forming part of the financial statements)

1 Accounting policies continued

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of other assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as service is provided.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

Options granted under the Group's employee share schemes are equity settled. The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Treasury shares

Treasury shares are held as a deduction from equity and are held at cost price.

Exceptional items

Exceptional items are items of income and expenditure that are individually material due to size or incidence that the directors consider require separate disclosure in order for the reader to obtain a full understanding of the performance of the Group in the year.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate.

Financial assets and liabilities

Classification and measurement

The Group classifies its financial instruments in accordance with IFRS 9 Financial Instruments.

The Group has no derivative financial instruments either designated as cash flow hedges or not qualifying for hedge accounting.

Impairment of financial assets

The Group has two types of financial assets that are subject to IFRS 9's expected credit loss model:

- trade and other receivables; and
- contract receivables.



1 Accounting policies *continued*

The Company has one type of financial asset that is subject to IFRS 9's expected credit loss model:

- amounts owed by group undertakings in respect of the Company.

Trade and other receivables and contract receivables do not contain a significant financing element and therefore expected credit losses are measured using the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

The Group has assessed credit risk in relation to defence-related sales to government customers or sub-contractors to governments and believes it to be extremely low, therefore no expected credit loss provision is required for these trade and other receivables, or contract receivables. The Group also considers expected credit losses for non-government commercial customers, however this risk is not expected to be material to the financial statements.

Impairment provisions in respect of amount owed by group undertakings are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The Group subsequently measures trade and other receivables, amounts owed by group undertakings in respect of the Company and contract receivables at amortised cost.

Impairment

For trade and other receivables, contract receivables and amounts due from equity accounted investments, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities

Financial liabilities include the following items:

Bank borrowings are initially recognised at fair value net of any directly attributable transaction costs. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.



Notes (continued)

(forming part of the financial statements)

1 Accounting policies continued

Contracts with customers

Revenue represents income derived from contracts for the provision of goods and services by the Group to customers in exchange for consideration in the ordinary course of the Group's activities. Revenue is stated net of VAT, discounts and rebates.

Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices. Given the bespoke nature of many of the Group's products and services, which are designed and/or manufactured under contract to the customer's individual specifications, there are sometimes no observable stand-alone selling prices. Instead, stand-alone selling prices are typically estimated based on expected costs plus contract margin consistent with the Group's pricing principles.

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied and control of the goods or services is transferred to the customer.

The majority of the Group's revenue is derived from selling goods with revenue recognised at the point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, and usually will have a present right to payment and retains none of the significant risks and rewards of the goods in question.

A small minority of contracts are negotiated on a bill and hold basis. In such arrangements revenue is recognised even though the Group still has physical possession only if:

- the arrangement is substantive (i.e. requested by the customer);
- the finished goods have been identified separately as belonging to the customer;
- the product is ready for physical transfer to the customer; and
- the Group does not have the ability to use the product to direct it to another customer.

Some goods sold by the Group include warranties which require the Group to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.



1 Accounting policies *continued*

Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

For each performance obligation to be recognised over time, the Group recognises revenue using an input method, based on costs incurred in the period. Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs, after making suitable allowances for technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired. The Group has determined that this method faithfully depicts the Group's performance in transferring control of the goods and services to the customer.

The Group's contracts that satisfy the over time criteria are typically services and maintenance support contracts where the customer simultaneously receives and consumes the benefit provided by the Group's performance.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust its transaction price for the time value of money.

Software licences

The Group sells software licences either separately or together with other goods and services. Revenue recognition in respect of software licences sold as part of a bundle of goods and services is considered separately when the licence is determined to be a separate performance obligation. Software licences either represent a right to access the Group's intellectual property as it exists throughout the licence period or a right to use the Group's intellectual property as it exists at the point in time at which the licence is granted. Revenue in respect of right to access licences is recognised over the licence term and revenue in respect of right to use licences is recognised upfront on delivery to the customer.

Contract modifications

The Group's contracts are sometimes amended for changes in customers' requirements and specifications. A contract modification exists when the parties to the contract approve a modification that either changes existing or creates new enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress towards the satisfaction of the performance obligation to which it relates is recognised in one of the following ways:

- (a) prospectively as an additional, separate contract;
- (b) prospectively as a termination of the existing contract and creation of a new contract; or
- (c) as part of the original contract using a cumulative catch up.

The majority of the Group's contract modifications are treated under either (a) (for example, the requirement for additional distinct goods or services) or (b) (for example, a change in the specification of the distinct goods or services for a partially completed contract), although the facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract-by-contract and may result in different accounting outcomes.

Costs to obtain a contract

The Group expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded. The Group does not typically incur costs to obtain contracts that it would not have incurred had the contracts not been awarded.



Notes (continued)

(forming part of the financial statements)

1 Accounting policies continued

Costs to fulfil a contract

Contract fulfilment costs in respect of over time contracts are expensed as incurred. Contract fulfilment costs in respect of point in time contracts are accounted for under IAS 2 Inventories.

Inventories

Inventories include raw materials, work-in-progress and finished goods recognised in accordance with IAS 2 in respect of contracts with customers which have been determined to fulfil the criteria for point in time revenue recognition under IFRS 15. It also includes inventories for which the Group does not have a contract. This is often because fulfilment costs have been incurred in expectation of a contract award. The Group does not typically build inventory to stock. Inventories are stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

During the year, Petards Joyce-Loebl changed to a standard costing methodology for inventory valuation. There was no material effect on inventory valuation at 31 December 2023.

Contract receivables

Contract receivables represent amounts for which the Group has an unconditional right to consideration in respect of unbilled revenue recognised at the balance sheet date and comprises costs incurred plus attributable margin.

Contract liabilities

Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

Right of use assets and leases

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and any lease payments made at or before the lease commencement date, less any lease incentives received. The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot readily be determined, the incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is re-measured, a corresponding adjustment is made to the right of use asset.

Judgements are involved in determining the lease term, particularly if extension or termination options are included in property leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to extend or terminate a property lease. Termination options are only included in the lease term if it is reasonably certain that the lease will be terminated. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs that is within the control of the Group.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets with a value of less than £5,000 when new, typically small items of IT equipment, office equipment and office furniture.

Expenses

Operating lease payments

In applying paragraph 6 of IFRS 16, short-term leases and leases for low-value assets are not recognised as lease liabilities with a corresponding right of use asset. Payments under such leases are recognised in the income statement on a straight line basis over the term of the lease.

Finance income

Financial income comprises interest receivable on funds invested, and foreign exchange gains. Interest income is recognised in the income statement as it accrues using the effective interest method.



1 Accounting policies continued

Finance expenses

Financial expenses comprise interest payable on borrowings, interest on leases and foreign exchange losses.

Taxation

Income tax on the profit or loss for the period comprises both current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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 ruggedised electronic applications.

As the Board of Directors receives revenue, adjusted EBITDA and operating (loss)/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

Details of the revenues relating to the Group's main customers in the year are given in note 15.

Notes (continued)

(forming part of the financial statements)

3 Operating expenses

(Loss)/profit before tax is stated after charging:

	2023	2022
	£000	£000
Amortisation of intangibles	523	586
Depreciation of property, plant and equipment	161	149
Amortisation of right of use assets	185	200
Development costs expensed directly to income	19	140
Net write down of inventories	62	86
Auditor's remuneration:	2023	2022
	£000	£000
Audit of these financial statements	29	22
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	79	65

Amounts receivable by the Company's auditor and its associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

4 Staff numbers and costs

The aggregate payroll costs, including directors, were as follows:

	2023	Group
	£000	2022
Wages and salaries	3,868	3,868
Share based payments (note 19)	–	1
Social security costs	424	417
Other pension costs (note 19)	169	172
	4,461	4,458

The monthly average number of employees during the year (including directors) was as follows:

	2023	Group
	Number	2022
Direct labour	39	40
Development	14	13
Sales	6	5
Administration	28	23
	87	81

4 Staff numbers and costs continued

Directors' remuneration

	2023	2022
	£000	£000
Directors' emoluments	444	349
Company contributions to defined contribution pension schemes	–	–
	444	349

The aggregate of emoluments of the highest paid director was £163,000 (2022: £154,000).

Name of Director	Salaries and fees		Other benefits		Total	Total
	2023	2022	2023	2022	2023	2022
	£000	£000	£000	£000	£000	£000
R Abdullah	157	150	4	2	161	152
O Abdullah	157	150	5	4	162	154
P Negus ¹	63	19	1	–	64	19
T Connolly	30	24	–	–	30	24
J Wakefield	23	–	–	–	23	–
G Davies	4	–	–	–	4	–
	434	343	10	6	444	349

¹ Included fees for the services of P Negus payable to Adcel Limited of £5,000 (2022: £nil)

No directors are accruing rights to shares under long term incentive schemes.

	2023	2022
	Number	Number
Number of directors exercising share options	–	–
Number of directors accruing benefits under a defined contribution pension scheme	1	1

Directors' rights to subscribe for shares in the Company are as follows:

Director	At start of year Number of shares	At end of year Number of shares	Exercise price (pence)
R Abdullah	1,425,000	1,425,000	12.25p – 21.5p
O Abdullah	2,737,500	1,425,000	12.25p – 21.5p
P Negus	300,000	300,000	21.5p

Further details of movement in rights to subscribe for shares are included in the Remuneration Report, under the heading 'Directors' Interests in Share Options', which forms part of these audited financial statements.

Notes (continued)

(forming part of the financial statements)

5 Finance income and expenses

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

6 Taxation

Recognised in the income statement

	2023 £000	2023 £000	2022 £000	2022 £000
<i>Current tax expense/(credit)</i>				
Current tax charge	29		116	
Adjustments in respect of prior years (see note below)	(312)		(224)	
Total current tax		(283)		(108)
<i>Deferred tax (credit)/expense</i>				
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)	
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.

6 Taxation continued

Reconciliation of effective tax rate

	2023	2022
	£000	£000
(Loss)/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.

7 Earnings per share

Basic earnings per share

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

	2023	2022
	£000	£000
Earnings		
(Loss)/profit for the year (£000)	(1,050)	524
Number of shares		
Weighted average number of ordinary shares ('000)	56,528	56,528
Basic (loss)/ 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 (loss)/ profit for the year attributable to the shareholders by the assumed weighted average number of shares in issue.

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

Notes (continued)

(forming part of the financial statements)

8 Property, plant and equipment – Group

	Leasehold improvements £000	Plant and equipment £000	Motor vehicles £000	Total £000
Cost				
Balance at 1 January 2022	289	2,134	92	2,515
Additions	–	61	–	61
Disposals	–	(21)	–	(21)
Balance at 31 December 2022	289	2,174	92	2,555
Balance at 1 January 2023	289	2,174	92	2,555
Additions	22	105	27	154
Asset Transfer	–	79	–	79
Disposals	–	(7)	(35)	(42)
Balance at 31 December 2023	311	2,351	84	2,746
Depreciation and impairment				
Balance at 1 January 2022	280	1,527	22	1,829
Depreciation charge for the year	8	124	17	149
Disposals	–	(16)	–	(16)
Balance at 31 December 2022	288	1,635	39	1,962
Balance as 1 January 2023	288	1,635	39	1,962
Depreciation charge for the year	3	140	18	161
Disposals	–	(5)	(27)	(32)
Balance at 31 December 2023	291	1,770	30	2,091
Net book value				
At 1 January 2022	9	607	70	686
At 31 December 2022 and 1 January 2023	1	539	53	593
At 31 December 2023	20	581	54	655

9 Property, plant and equipment – Company

Plant and
equipment
£000

Cost

Balance at 1 January 2022	5
Additions	–
Balance at 31 December 2022	5

Balance at 1 January 2023	5
Additions	–

Balance at 31 December 2023 **5**

Depreciation and impairment

Balance at 1 January 2022	5
Depreciation charge for the year	–
Balance at 31 December 2022	5

Balance at 1 January 2023	5
Depreciation charge for the year	–

Balance at 31 December 2023 **5**

Net book value

At 1 January 2022	–
At 31 December 2022 and 1 January 2023	–

At 31 December 2023 **–**



Notes (continued)

(forming part of the financial statements)

10 Right of use assets – Group

Assets	Land and buildings £000	Motor vehicles £000	Total £000
Cost			
Balance at 1 January 2022	690	59	749
Additions	18	52	70
Disposals	–	(13)	(13)
Balance at 31 December 2022	708	98	806
Balance at 1 January 2023	708	98	806
Additions	638	2	640
Disposals	(500)	–	(500)
Balance at 31 December 2023	846	100	946
Amortisation			
Balance as 1 January 2022	344	39	383
Amortisation charge for the year	180	20	200
Disposals	–	(13)	(13)
Balance at 31 December 2022	524	46	570
Balance as 1 January 2023	524	46	570
Amortisation charge for the year	161	24	185
Disposals	(500)	–	(500)
Balance at 31 December 2023	185	70	255
Net book value			
At 1 January 2022	346	20	366
At 31 December 2022 and 1 January 2023	184	52	236
At 31 December 2023	661	30	691

The Company has no right of use assets.

10 Right of use assets – Group continued

	Land and buildings £000	Motor vehicles £000	Total £000
Lease liabilities			
Balance at 1 January 2022	366	26	392
Additions	18	52	70
Interest expense	23	1	24
Lease payments	(249)	(23)	(272)
Balance at 31 December 2022	158	56	214
Balance at 1 January 2023	158	56	214
Additions	639	2	641
Interest expense	30	2	32
Reclassification	4	(4)	–
Lease payments	(130)	(25)	(155)
Balance at 31 December 2023	701	31	732
Payable within one year (note 17)	206	15	221
Payable after more than one year (note 17)	495	16	511
Balance at 31 December 2023	701	31	732
Payable within one year (note 17)	87	22	109
Payable after more than one year (note 17)	71	34	105
Balance at 31 December 2022	158	56	214

Notes (continued)

(forming part of the financial statements)

11 Intangible assets – Group

	Customer related intangibles £000	Technology related intangibles £000	Goodwill £000	Development costs £000	Asset under construction £000	IT Assets £000	Total £000
Cost							
Balance at 1 January 2022	178	598	1,488	4,130	–	–	6,394
Additions	–	–	–	164	220	–	384
Balance at 31 December 2022	178	598	1,488	4,294	220	–	6,778
Balance at 1 January 2023	178	598	1,488	4,294	220	–	6,778
Additions	–	–	–	349	–	29	378
Asset transfer	–	–	–	–	(220)	141	(79)
Balance at 31 December 2023	178	598	1,488	4,643	–	170	7,077
Amortisation and impairment							
Balance at 1 January 2022	178	224	–	1,961	–	–	2,363
Amortisation charge for the year	–	62	–	524	–	–	586
Balance at 31 December 2022	178	286	–	2,485	–	–	2,949
Balance as 1 January 2023	178	286	–	2,485	–	–	2,949
Amortisation charge for the year	–	62	–	442	–	19	523
Balance at 31 December 2023	178	348	–	2,927	–	19	3,472
At 1 January 2022	–	374	1,488	2,169	–	–	4,031
At 31 December 2022 and 1 January 2023	–	312	1,488	1,809	220	–	3,829
At 31 December 2023	–	250	1,488	1,716	–	151	3,605

Development costs relate to the ongoing development of the Group's rail and ANPR products. This includes an amount of £261,000 (2022: £60,000) for which amortisation has not yet commenced.

Amortisation

The amortisation charge is recognised within administrative expenses in the income statement.

Impairment testing

The Group considers that for the purpose of goodwill impairment testing it has three cash generating units (CGUs) involved in the development, supply and maintenance of technologies used in advanced security, surveillance, web-based real-time safety critical integrated software applications and ruggedised electronic applications.

11 Intangible assets – Group continued

Goodwill has been allocated to cash generating units as follows:

	2023 £000	2022 £000
Petards Joyce-Loebl	219	219
QRO Solutions	488	488
RTS Solutions	781	781
	1,488	1,488

Impairment is tested by calculating its value in use by reference to discounted cash flow forecasts over a five year period. The key assumptions for the value in use calculation are those regarding the growth rates, discount rates and expected changes in profit margins during the period. These are based on the approved budget for 2024 and an assumption of 2% growth thereafter applied in perpetuity (2022: *approved forecasts for the next year and an assumption of no growth thereafter, applied in perpetuity*) and are based on the forecast profit margin being maintained (2022: *profit margin maintained*). The discount rate applied is 12% (2022: 13%).

For Petards Joyce-Loebl the discount rate would have to increase to 25% before there is an impairment. There is headroom of 57% before impairment.

For QRO Solutions the discount rate would have to increase to 160% before there is an impairment. There is headroom of 94% before impairment.

For RTS Solutions the discount rate would have to increase to 47% before there is an impairment. There is headroom of 78% before impairment.

12 Investments

The Group and Company have the following investments in subsidiary undertakings:

Name of company	Country of operation and registration	Nature of business	Holding	Proportion held	
				Group	Company
Petards Joyce-Loebl Limited	England (2)	Specialist electronic systems	Ordinary shares	100%	100%
QRO Solutions Limited	England (1)	Specialist electronic systems	Ordinary shares	100%	100%
RTS Solutions (UK) Limited	England (1)	Specialist electronic systems	Ordinary shares	100%	100%
RTS Solutions (Holdings) Limited	England (1)	Non-trading	Ordinary shares	100%	100%
Water Hall Group plc	England (1)	Non-trading	Ordinary shares	100%	100%
Petards Limited	England (2)	Dormant	Ordinary shares	100%	100%
Joyce-Loebl Group Limited	England (2)	Dormant	Ordinary shares	100%	100%
Petards International Limited	England (2)	Dormant	Ordinary shares	100%	100%
Petards Traincare Limited	England (1)	Dormant	Ordinary shares	100%	100%
Petards Railcare Limited	England (1)	Dormant	Ordinary shares	100%	100%

Registered offices:

(1) Parallel House, 32 London Road, Guildford, GU1 2AB

(2) 390 Princesway, Team Valley, Gateshead, Tyne and Wear, NE11 0TU

Notes (continued)

(forming part of the financial statements)

12 Investments continued

Company	Shares in subsidiary undertakings £000
Cost	
Balance at 1 January 2022	17,190
Balance at 31 December 2022	17,190
Balance at 1 January 2023	17,190
Balance at 31 December 2023	17,190
Provisions for impairment in value	
Balance at 1 January 2022	4,334
Balance at 31 December 2022	4,334
Balance at 1 January 2023	4,334
Balance at 31 December 2023	4,334
Net book value	
At 1 January 2022 and 31 December 2022	12,856
At 31 December 2023	12,856

The Group's investments comprise £5,000 relating to a small minority shareholding in a private technology company acquired in 2020. That investment is included in the Company's investments set out above.

The Group has conducted impairment reviews for each of its cash-generating units (CGUs) estimating future discounted cash flows to be generated from each CGU. In conjunction with note 11 above, the directors believe there is no impairment, the assumptions used in the value in use model as disclosed in note 11 are used for impairment analysis of the carrying value of investments.

13 Deferred tax assets and liabilities

Group

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

The deferred tax assets are expected to be recovered against future taxable profits, projected on a conservative basis, within 3 years.

13 Deferred tax assets and liabilities continued

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
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

Company

Recognised deferred tax assets are attributable to the following:

	Assets 2023 £000	Assets 2022 £000
Tax value of loss carry-forwards	156	191
Provision	2	–
Property, plant and equipment	23	–
Tax assets	181	191

Notes (continued)

(forming part of the financial statements)

13 Deferred tax assets and liabilities continued

Unrecognised deferred tax assets are attributable to the following:

	Assets 2023 £000	Assets 2022 £000
Property, plant and equipment	–	34
Provisions	–	2
Tax value of loss carry-forwards	–	24
Tax assets	–	60

14 Inventories

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Raw materials and consumables	1,595	1,585	–	–
Work in progress	140	256	–	–
	1,735	1,841	–	–

The directors consider all inventories to be essentially current in nature although the duration of certain contracts is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine this amount with precision as this is dependent on several matters including future order volumes, the timing of project milestones and customer call off schedules.

Inventories recognised as cost of sales in the year amounted to £2,848,000 (2022: £4,037,000). At 31 December 2023 inventories are shown net of provisions of £518,000 (2022: £457,000).

15 Trade and other receivables

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Trade receivables	2,104	1,957	–	–
Amounts owed by group undertakings	–	–	455	200
Corporation tax recoverable	–	179	–	–
Other receivables	69	82	–	–
Prepayments and accrued income	151	284	15	29
	2,324	2,502	470	229

At 31 December 2023 trade receivables included retentions of £451,000 (2022: £451,000).

The Group has a variety of credit terms depending on the customer and these generally range from 14 to 60 days. The majority of the Group's sales are made to government agencies and blue chip companies and consequently have very low historical default rates. No expected credit loss provision is considered necessary.

At 31 December 2023 trade receivables are shown net of an allowance for credit notes of £nil (2022: £nil) arising from the ordinary course of business.

15 Trade and other receivables continued

The ageing of trade receivables at the balance sheet date was:

Group	Group	
	2023 Gross and net trade receivables £000	2022 Gross and net trade receivables £000
Not past due date	1,298	1,557
Past due date (0-90 days)	780	400
Past due date (over 90 days)	26	–
	2,104	1,957

Management has no indication that any unimpaired amounts will be irrecoverable. No other receivables are past due in either the current or prior year.

In 2023 revenues from two customers exceeded 10% of the Group's revenues being £1,564,000 and £1,042,000 respectively (2022: *Two customers: £1,530,000 and £2,137,000*). In 2023 £771,000 (2022: £440,000) relating to those customers was outstanding at year end.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Group	Group	
	2023 £000	2022 £000
UK	1,791	1,492
Europe	313	464
Other regions	–	1
	2,104	1,957

The Group's exposure to credit and currency risks and impairment losses related to trade receivables is disclosed at note 23.

The Company has no trade receivables but it has receivables from group undertakings which are analysed at note 27. No expected credit loss provision is considered necessary.

16 Cash and cash equivalents

Cash and cash equivalents	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Cash and cash equivalents per balance sheet and per cash flow statement	1,241	2,016	604	129

The Group's exposure to credit and currency risk related to cash and cash equivalents is disclosed at note 23.

Notes (continued)

(forming part of the financial statements)

17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and Company's interest-bearing loans and borrowings, which are measured at amortised cost. More information about the Group's and Company's exposure to interest rate and foreign currency risk is disclosed at note 23.

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Non-current liabilities				
Lease liabilities	511	105	-	-
Current liabilities				
Bank loan	-	125	-	125
Lease liabilities	221	109	-	-
	732	234	-	125

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
<i>Cash items:</i>			
Repayment of bank loan and interest	-	(128)	-
Payment of lease liabilities	-	-	(155)
<i>Non-cash items:</i>			
New lease liabilities (note 10)	-	-	641
Interest expense	-	3	32
Re-classified from non-current to current in year	-	-	-
Balance at 31 December 2023	-	-	732

17 Interest-bearing loans and borrowings continued

	Non-current loans and borrowings £000	Current loans and borrowings £000	Lease liabilities £000
Balance at 1 January 2022	125	250	392
<i>Cash items:</i>			
Repayment of bank loan and interest	–	(256)	–
Payment of lease liabilities	–	–	(272)
<i>Non-cash items:</i>			
New lease liabilities (note 10)	–	–	70
Interest expense	–	6	24
Re-classified from current to non-current in year	(125)	125	–
Balance at 31 December 2022	–	125	214

18 Trade and other payables

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Non-current liabilities				
Amounts owed to group undertakings	–	–	1,086	1,018
Current liabilities				
Trade payables	1,014	782	175	46
Amounts owed to group undertakings	–	–	2,514	1,533
Contract liabilities	727	671	–	–
Non-trade payables and accrued expenses	1,055	1,502	66	171
	2,796	2,955	2,755	1,750

Contract liabilities

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
At 1 January	671	564	–	–
Amounts included in contract liabilities that were recognised as revenue during the year	(613)	(564)	–	–
Cash received in advance of performance and not recognised as revenue during the year	669	671	–	–
At 31 December	727	671	–	–

At 31 December 2023 contract liabilities of £727,000 relates to deferred income.

No amounts included in current liabilities are expected to be settled in more than 12 months (2022: *£nil*). In both 2022 and 2023 amounts payable to group undertakings in current liabilities are due on demand but have no fixed repayment dates.

The non-current amount payable to a group undertaking is formally agreed, attracts interest at The Bank of England Base rate plus 2.5% and is not repayable before 30 April 2024.

Notes (continued)

(forming part of the financial statements)

19 Employee benefits

Defined contribution plans

The Group operates defined contribution pension plans.

The total expense relating to defined contribution plans in the current year was £169,000 (2022: £172,000).

Share-based payments

The Company has granted share options under its Enterprise Management Incentive Scheme ('EMI Scheme'), and an Unapproved Share Option Scheme ('Unapproved Scheme'). Options granted have a contractual life of ten years and are exercisable on the third anniversary from the date of grant. All options are to be settled by physical delivery of shares.

The unexercised options at 31 December 2023 are stated below.

Date of grant	Scheme	Exercise price (pence)	Number of options granted	Vesting conditions	Exercise period
Jan 2016	EMI Scheme	12.25p	1,510,204	(1)	Jan 2019 – Jan 2026
Jan 2016	Unapproved Scheme	12.25p	189,796	(1)	Jan 2019 – Jan 2026
Jul 2017	EMI Scheme	29.00p	80,000	(1)	Jul 2021 – Jul 2027
Oct 2018	EMI Scheme	21.50p	575,000	(1)	Oct 2022 – Oct 2028
Oct 2018	Unapproved Scheme	21.50p	875,000	(1)	Oct 2022 – Oct 2028
Apr 2019	EMI Scheme	23.50p	75,000	(1)	Apr 2022 – Apr 2029

(1) 3 years from date of grant

	2023 Number of shares	2023 Weighted average exercise price £	2022 Number of shares	2022 Weighted average exercise price £
Outstanding at beginning of the year	4,617,500	0.144	4,617,500	0.144
Forfeited/lapsed	(1,312,500)	0.08	–	–
Outstanding at the end of the year	3,305,000	0.17	4,617,500	0.144
Exercisable at the end of the year	3,305,000	0.17	4,617,500	0.144

The estimated fair value of the options ranges between 2.5p and 9.8p. These were calculated by applying the Black-Scholes option pricing model. The model inputs were the share price at the date of grant, the appropriate exercise price, expected volatility of 30.7% (2022: 30.7%) and a risk free interest rate of 0.8% (2022: 0.8%). It was assumed that option holders would exercise their options during the first year after the option vesting date. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the period of one year to the date of grant.

The options outstanding at 31 December 2023 had exercise prices ranging from 12.25p to 29.00p and the weighted average remaining contractual life of the options was 3.3 years.

The Group and Company recognised no expense in the year (2022: £1,000) in respect of equity settled share options.

20 Share capital

	At 31 December 2023 Number	At 31 December 2022 Number
<i>Number of shares in issue – allotted, called up and fully paid</i>		
Ordinary shares of 1p each	57,528,229	57,528,229
	£000	£000
<i>Value of shares in issue – allotted, called up and fully paid</i>		
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.

21 Treasury shares

	At 31 December 2023		At 31 December 2022	
	Number of shares	Cost £000	Number of shares	Cost £000
At 1 January	1,000,000	103	1,000,000	103
Acquired in the period	–	–	–	–
At 31 December	1,000,000	103	1,000,000	103

22 Equity reserve

The equity reserve relates to the fair value of the share options issued but not yet exercised in respect of the acquisition of Water Hall Group plc in 2013.

23 Financial risk management

The Group's and Company's policy is to maintain a strong capital base with a view to ensuring that entities within the Group will be able to continue as going concerns.

The Group's and Company's principal financial instruments comprise short term debtors and creditors, short term bank deposits, cash, bank borrowings, leases and, when required, forward currency contracts and options. Neither the Group nor the Company trades in financial instruments but, where appropriate, uses derivative financial instruments in the form of forward foreign currency contracts and options to help manage foreign currency exposures. The prime objective of the Group's and Company's policy towards financial instruments is to manage their working capital requirements and finance their ongoing operations.

Capital management

The Group's and Company's policy is to maintain a strong capital base with a view to ensuring that entities within the Group will be able to continue as going concerns. The Group and Company finance their operations through retained earnings, cash resources, bank borrowings, share placings and the management of working capital. It is the intention to issue new shares when satisfying share based incentive schemes. Capital is defined as total equity as set out in the balance sheet.

Notes (continued)

(forming part of the financial statements)

23 Financial risk management continued

Management of financial risk

The main risks associated with the Group's financial instruments have been identified as credit risk, liquidity risk and foreign currency risk. The main risks associated with the Company's financial instruments have been identified as liquidity risk. The Board is responsible for managing these risks and the policies adopted, which have remained largely unchanged throughout the year.

Credit risk

The carrying amount of financial assets included in the balance sheet, which represents the maximum credit risk, and the headings in which they are included are as follows:

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Current assets				
Trade receivables	2,104	1,957	–	–
Other receivables	219	82	–	–
Cash and cash equivalents	1,241	2,016	604	129
	3,564	4,055	604	129

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group's risk is influenced by the nature of its customers. The majority of sales are made to government agencies and blue chip companies. New customers are analysed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered and appropriate credit limits set. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. The carrying amount of trade receivables in the balance sheet represents the maximum exposure to credit risk and further details are given in note 15 to the financial statements. The Board considers the Group's exposure to credit risk to be acceptable and normal for an entity of its size given the industries in which it operates.

The Company's financial assets comprise amounts owed by group undertakings and the Board considers that there is no significant exposure to credit risk.

Surplus cash balances are placed on short term deposit with UK banks.

Interest rate risk

The Group has financed its operations from its own cash resources and a bank loan originally drawn in 2018 for the acquisition of RTS Solutions (Holdings) Limited which was fully repaid in the year. The Group's bank borrowings bear interest at The Bank of England's bank rate plus 3.25%.

23 Financial risk management continued

The interest rate risk profile of the Group's and Company's interest bearing financial instruments was as follows:

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Interest rate risk profile of financial assets				
Floating rate assets (by currency):				
Sterling	1,228	2,015	604	129
Euro	13	–	–	–
US dollar	–	1	–	–
	1,241	2,016	604	129
Interest rate profile of financial liabilities				
Fixed rate liabilities (by currency):				
Sterling	136	214	–	–
Floating rate liabilities (by currency):				
Sterling	–	215	–	125

The fixed rate financial liabilities comprise lease liabilities.

While the Group and Company have access to an overdraft facility which carries a variable interest rate, this facility was undrawn at 31 December 2023, so the Group and Company are not exposed to interest rate risk on this facility.

Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to access the necessary funds to finance their operations. Their own cash resources and bank borrowings are the predominant source of funds. Surplus cash is placed on short term deposit with UK banks.

The Group manages its liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on a rolling cash forecast.

The carrying amount of financial liabilities included in the balance sheet and the headings in which they are included are as follows:

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Current liabilities				
Trade and other payables	2,069	2,284	175	217
Lease liabilities	221	109	–	–
Bank loan	–	125	–	125
Amounts owed to group undertakings	–	–	2,059	1,372
Non-current liabilities				
Lease liabilities	511	105	–	–
Bank loan	–	–	–	–
Amounts owed to group undertakings	–	–	1,037	1,018
	2,801	2,623	3,271	2,732

Notes (continued)

(forming part of the financial statements)

23 Financial risk management continued

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	Carrying amount £000	2023				
		Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities						
Lease liabilities	732	860	275	211	374	–
Trade and other payables	2,069	2,069	2,069	–	–	–
		2,929	2,344	211	374	–

The contractual cash flows include interest estimated at a rate of between 3.5% and 7.25%.

	Carrying amount £000	2022				
		Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities						
Lease liabilities	214	238	123	58	57	–
Bank loan	125	128	128	–	–	–
Trade and other payables	2,284	2,284	2,284	–	–	–
		2,650	2,535	58	57	–

The directors consider that the carrying amounts of financial assets and liabilities approximate their fair values.

Foreign currency risk

The Group is exposed to currency risk on purchases and occasionally on sales, that are denominated in a currency other than the respective functional currencies of Group entities. About 1 percent (2022: 3 percent) of the Group's sales were to customers in Continental Europe and around 1 percent (2022: less than 1 percent) were to customers in the Rest of the World. These sales were priced in Pounds Sterling. The Group makes purchases in Pounds Sterling, Euros and US Dollars and the Group's policy is to reduce currency exposures through, where appropriate, forward foreign currency contracts.

Currency risk of financial assets and liabilities

The Group also has non-structural currency exposures i.e., those exposures arising from sales and purchases by group companies in currencies other than that company's functional currency. These exposures give rise to net currency gains/losses recognised in the income statement and represent monetary assets and liabilities of the Group that were not denominated in the functional currency of the company involved.

23 Financial risk management continued

At 31 December 2023 and 2022 the exposures in this respect were trade receivables and payables and were as follows:

	2023	2023	2022	2022
	Receivables	Payables	Receivables	Payables
	£000	£000	£000	£000
Currency				
US dollar	–	(33)	21	(53)
Euro	10	–	–	(15)
	10	(33)	21	(68)

In the opinion of the directors the business has no significant exposure to market risk arising from currency exchange or other price fluctuations at 31 December 2023 and it has therefore not been deemed necessary to include a sensitivity analysis.

24 Lease expenses

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Short term lease expense	32	22	20	20
Low value lease expense	2	4	–	–
	34	26	20	20

25 Capital commitments

At 31 December 2023 had capital commitments totalling £51,000 (2022: £Nil). The Company had no such commitments (2022: none).

26 Contingent liabilities

At 31 December 2023 the Company has guaranteed the contract performance of subsidiary companies in respect of customer contracts which have yet to be completed amounting to £2,962,000 (2022: £7,328,000).

27 Related party transactions

Transactions/ balances with subsidiaries – Company

During the year the Company provided administrative services to subsidiary undertakings totalling £1,240,000 (2022: £1,172,000).

The balances due by subsidiaries at year end are shown in note 15 and comprised an amount owed by RTS Solutions (Holdings) Ltd of £200,000 (2022: £200,000) and Petards-Joyce-Loebl Ltd of £255,000 (2022: £nil)

The balances due to subsidiaries at the year end shown in note 18 comprised amounts owed to QRO Solutions Ltd of £1,280,000 (2022: £304,000), Water Hall Group plc £1,037,000 (2022: £1,018,000) and to RTS Solutions (UK) Ltd £1,234,000 (2022: £1,215,000). No amounts were due to Petards Joyce-Loebl Ltd (2022: £15,000).

There is no ultimate controlling party of Petards Group plc.

Transactions with directors – Group

£5,000 was paid in the year to Adcel Limited, a company wholly controlled by P Negus, in respect of fees for the provision of consultancy services (note 4). There were no transactions with directors in 2022.

Notes (continued)

(forming part of the financial statements)

27 Related party transactions continued

Key management compensation

Key management compensation comprises salaries, fees, bonuses, employer pension contributions, share based payment charges and employer social security costs.

The key management of the Group are the directors and officers of Petards Group plc and their compensation is as follows:

	2023	Group
	£000	2022
		£000
Salaries, fees, bonuses and other benefits	549	437
Employer pension contributions	6	–
Share based payment charges	4	4
Employer social security costs	42	61
	601	502

28 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.

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 payment charges, 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 comprises cash and cash equivalents less interest bearing loans and borrowings. This allows management to monitor the indebtedness of the Group.

Current net funds

Current net funds comprises cash and cash equivalents less current liabilities in respect of interest bearing loans and borrowings, excluding liabilities recognised on the adoption of IFRS 16 ‘Leases’. This allows management to monitor the short term indebtedness of the Group.



Directors, officers and advisors

Directors:

Raschid Abdullah (*Chairman*)
Osman Abdullah
Terry Connolly FCA (resigned 31.12.2023)
Paul Negus
John Wakefield (appointed 01.02.2023)
Geraint Davies (appointed 22.11.2023)

Company Secretary:

Ben Gillam CA

Registered Office:

32 London Road
Guildford
Surrey
GU1 2AB

Company Registration Number:

02990100

Independent Auditor:

BDO LLP
Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

Bankers:

Santander UK plc
1 Dorset Street
Southampton
SO15 2DP

Nominated Advisor & Joint Broker:

WH Ireland Limited
24 Martin Lane
London
EC4R 0DR

Joint Broker

Hybridan LLP
1 Poultry
London
EC2R 8EJ

Registrar:

Share Registrars
3, The Millennium Centre
Crosby Way
Farnham
GU9 7XX

Website:

www.petards.com



Notice of Annual General Meeting

Notice is hereby given that the 2024 Annual General Meeting of Petards Group plc (the "Company") will be held at The County Club, 158 High Street, Guildford, Surrey GU1 3HJ on 25 July 2024 at 11.00 a.m.

The Meeting will deal with the following items:

Ordinary Business

1. To receive and consider the audited accounts of the Company for the year ended 31 December 2023 together with the directors' report and the auditor's report.
2. That Paul Negus, who retires by rotation, be re-elected as a director of the Company.
3. That Geraint Davies, having been appointed as a director since the last Annual General Meeting be elected as a director.
4. To re-appoint BDO LLP as auditor to hold office from the conclusion of the meeting until the conclusion of the next general meeting at which the accounts are laid before the Company.
5. Subject to resolution 4 being approved, to authorise the directors to fix the auditor's remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions of which resolution number 6 shall be passed as an ordinary resolution and resolution numbers 7 and 8 shall be passed as special resolutions:

6. That, in substitution for all existing authorities, to the extent unused, and pursuant to section 551 of the Companies Act 2006 (the "Act") the directors of the Company be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £200,327 (being approximately 33% of the present issued ordinary share capital of the Company) provided that this authority shall, unless renewed, varied or revoked, expire on the conclusion of the Annual General Meeting of the Company to be held in 2025, save that the directors be and they are hereby entitled, as contemplated by section 551(7) of the Act, to make at any time prior to the expiry of such authority any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the expiry of such authority and the directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
7. That, subject to and conditional on resolution 6 above being duly passed, the directors of the Company be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) in the capital of the Company for cash pursuant to the authority conferred by resolution 6 above as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (A) in connection with an offer of such securities by way of rights, or other pre-emptive offer, to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any relevant territory, or the requirements of any regulatory body or stock exchange; and
 - (B) otherwise than pursuant to (a) above up to a maximum aggregate nominal amount of £91,058 (being approximately 15% of the present issued ordinary share capital of the Company):

provided that such power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2025, save that the Company may make an offer or agreement prior to such expiry which would or might require equity securities to be allotted after the expiry of such power, and the directors may allot equity securities in pursuance of that offer or agreement as if such power had not expired.

8. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of 1p each of the Company provided that:
 - (A) the maximum number of ordinary shares authorised to be purchased is 6,070,504 (representing 10 per cent of the Company's issued ordinary share capital as at 13 June 2024;
 - (B) the minimum price which may be paid for an ordinary share is 1 pence (exclusive of expenses);



Notice of Annual General Meeting (continued)

- (C) the maximum price (exclusive of expenses) which may be paid for an ordinary share is an amount equal to 5 per cent above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange for the 5 business days immediately preceding the date on which the ordinary share is contracted to be purchased;
- (D) unless previously received, varied, or revoked, the authority hereby conferred shall expire at the conclusion of the Company's Annual General Meeting to be held in 2025; and
- (E) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract.

BY ORDER OF THE BOARD

Ben Gillam

Company Secretary

14 June 2024

Registered Office:

Parallel House
32 London Road
Guildford
Surrey
GU1 2AB

Company Number: 02990100

Notes:

1. Pursuant to Part 13 of the Act and paragraph 18(c) of the Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, only those members registered in the register of members of the Company at 11.00 a.m. on 23 July 2024 (or if the AGM is adjourned, 48 hours, excluding non-working days, before the date fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
2. Members who wish to attend the AGM in person should ensure that they arrive at the venue for the AGM in good time before the commencement of the meeting. Members may be asked to provide proof of identity in order to gain admission to the AGM.
3. A member who is entitled to attend, speak and vote at the AGM may appoint a proxy to attend, speak and vote instead of him. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the AGM in order to represent you. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. Appointing a proxy will not prevent a member from attending in person and voting at the AGM (although voting in person at the AGM will terminate the proxy appointment).
4. You can register your vote(s) for the Annual General Meeting either:
 - by visiting www.shareregistrars.uk.com, clicking on the "Proxy Vote" button and then following the on-screen instructions (you can locate your user name and access code on the top of the proxy form);
 - by post or by hand to Share Registrars Limited, 3 The Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX using the proxy form accompanying this notice;
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 10 below.In order for a proxy appointment to be valid the proxy must be received by Share Registrars Limited by 11.00 a.m. on 23 July 2024.
5. A form of proxy accompanies this document. The notes to the proxy form include instructions on how to appoint the Chairman of the AGM as a proxy and should be followed carefully.
6. To be valid, a proxy form, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should reach the Company's registrar, Share Registrars Limited, 3 The Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX, by no later than 11.00 a.m. on 23 July 2024.
7. If a member returns more than one proxy form, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence.
8. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote shall be accepted to the exclusion of the votes of other joint holders.
9. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done by the appointment of a proxy (described in Notes 3 to 7 above).

10. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & International Limited’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Share Registrars (**ID 7RA36**) no later than 48 hours, excluding non-working days, before the time fixed for the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Share Registrars is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK & International Limited does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST System by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.





Parallel House, 32 London Road, Guildford, GU1 2AB, United Kingdom
Tel: +44 (0) 1483 230345

www.petards.com