petards

30 September 2011

PETARDS GROUP PLC

INTERIM RESULTS ANNOUNCEMENT

Petards Group plc ('Petards'), the AIM quoted developer of advanced security and surveillance systems, reports its interim results for the six months to 30 June 2011.

Highlights

- Revenues of £5.2m (2010: £5.3m)
- Gross margins 40.5% (2010: 41.1%)
- Profit before tax of £5,000 (2010: £115,000)
- Basic and diluted earnings per share of 0.08p (2010 as restated: 1.81p)
- Net cash inflow from operating activities of £0.4m (2010: £0.9m outflow)
- Net debt of £1.8m (31 December 2010: £2.0m)

Commenting on the current outlook, Tim Wightman, Chairman, said:

"Our order prospects remain encouraging with a number of large UK programmes in both the rail and defence markets having now obtained Government approval. However, the indicated delivery schedules of trains on the prospective large rail projects mean that those would be unlikely to have any material impact on revenues until 2013.

In the shorter term, the increasing global economic uncertainty over recent weeks leads us to be cautious over the timing of customer order placement for our products although we believe those orders will be secured. Despite this we expect year-on-year revenue growth in 2011, although that growth will be lower than previously expected."

Contacts:

Petards Group plc	*www.petards.com*
Andy Wonnacott, Finance Director	+44 (0) 191 420 3000
WH Ireland Limited	*www.wh-ireland.co.uk*
Mike Coe / Marc Davies	+44 (0) 117 945 3470

Chairman’s Statement

Overview of the Results

The financial information contained within this interim report is based upon the Group's unaudited results for the six months to 30 June 2011.

In the first six months of 2011 the Group performed ahead of our expectations albeit on lower than expected revenues. Profit before tax for the period was £5,000 (2010: £115,000) on revenues of £5.2m which remained at a similar level to those achieved for the same period last year (2010: £5.3m). The profit after tax was £5,000 (2010: £115,000) and both basic and diluted earnings per share were 0.08p (2010 as restated: 1.81p).

Our revenues in June were approximately £0.3m lower than expected due to a major fire at the end of May at one of our key suppliers which impacted upon deliveries of our Transport products. Alternative suppliers have been brought on stream and shipments of product have now re-commenced. This interruption of supply has necessitated some amendment to customers’ build schedules which will have some effect on our full year revenues of Transport products.

Overall gross margins were 40.5% and while slightly lower than those achieved in the same period last year (2010: 41.1%), were higher than in the second half of 2010 and were ahead of our expectations.

Cash generated from operations resulted in a £0.4m inflow in the period (2010: £0.9m outflow) and the Group’s net debt at 30 June 2011 was £1.8m (31 December 2010: £2.0m).

Operating Review

During the period we completed deliveries of the eyeTrain equipment that is installed on the Electrostar EMU trains that Bombardier are supplying to National Express East Anglia and the first of those trains entered into service on Stansted Express services. Initial deliveries were also made to Transys Projects and Bombardier for the vehicle upgrades they are undertaking for Southeastern Trains’ fleet. Revenues from eyeTrain products were slightly lower than the first six months of 2010 due to the impact of the fire referred to above.

At this stage last year I commented upon the well publicised deferral of the Intercity Express and Thameslink new train programmes arising from the UK governments Comprehensive Spending Review. We are pleased that during the first half of 2011 the Department of Transport has given approval for both of those programmes and confirmed Hitachi and Siemens as the preferred bidders as these are important projects in which we would hope to be involved.

Revenues from Provida products were similar to those experienced in the first half of 2010 and continue to be affected by significant budgetary pressures faced by UK police forces. Outside of the UK we have been pleased to receive additional orders from new partners we established last year and have identified a number of strong prospects for the future.

While the overall defence market remains challenging, revenues were up on the same period last year. Another positive was that in June we received our first order for electronic countermeasures systems since the Strategic Defence and Security Review was undertaken. The upgrade forms part of the Puma helicopter life extension programme and will integrate existing systems to significantly improve the Defensive Aids Suite on the aircraft. We are also encouraged by the announcement in July of the Government’s commitment to provide increased funding for the MoD’s equipment budget, as two of the programmes benefiting from this are the upgrades to Warrior armoured vehicles and the acquisition of Chinook helicopters, which are platforms to which we have previously supplied equipment.

Research and Development

A key element of the Group’s growth strategy is its commitment to its product development programme and capitalised development expenditure in the first six months of 2011 was £0.1m (2010: £0.2m). We continue to invest in our products with the resources available to us.

Capital Reorganisation

At the General Meeting held on 30 June 2011 a special resolution was passed by shareholders to undertake a capital reorganisation, details of which are set out in note 4 of this Interim Results Statement.

Outlook

Our order prospects remain encouraging with a number of large UK programmes in both the rail and defence markets having now obtained Government approval. However, the indicated delivery schedules of trains on the prospective large rail projects mean that those would be unlikely to have any material impact on revenues until 2013.

In the shorter term, the increasing global economic uncertainty over recent weeks leads us to be cautious over the timing of customer order placement for our products although we believe those orders will be secured. Despite this we expect year-on-year revenue growth in 2011, although that growth will be lower than previously expected.

Tim Wightman
29 September 2011

Condensed Consolidated Income Statement
for the six months ended 30 June 2011

	Note	**Unaudited 6 months ended 30 June 2011 £000**	Unaudited 6 months ended 30 June 2010 £000	Audited Year ended 31 December 2010 £000
Revenue		**5,229**	5,311	11,392
Cost of sales		**(3,112)**	(3,130)	(7,069)
Gross profit		**2,117**	2,181	4,323
Administrative expenses		**(2,073)**	(2,077)	(4,238)
Operating profit		**44**	104	85
Financial income		**27**	42	53
Financial expenses		**(66)**	(31)	(85)
Profit before income tax		**5**	115	53
Income tax	*3*	**-**	-	311
Profit for the period attributable to equity holders of the company		**5**	115	364
Earnings per share				
Basic and diluted (2010 as restated)	*5*	**0.08p**	1.81p	5.72p

The above results are derived from continuing operations.

Condensed Consolidated Statement of Comprehensive Income
for the six month period ended 30 June 2011

	Unaudited 6 months ended 30 June 2011	Unaudited 6 months ended 30 June 2010	Audited Year ended 31 December 2010
	£000	£000	£000
Profit for period	**5**	115	364
Other comprehensive income			
Currency translation on foreign currency net investments	**27**	(83)	(34)
Total comprehensive income for the period	**32**	32	330

Condensed Consolidated Statement of Changes in Equity
for the six month period ended 30 June 2011

	Share capital £000	**Share premium £000**	**Retained earnings £000**	**Currency translation differences £000**	**Total equity £000**
Balance at 1 January 2010 (audited)	6,367	23,255	(29,724)	(190)	(292)
Profit for the period	-	-	115	-	115
Other comprehensive income	-	-	-	(83)	(83)
Total comprehensive income for the period	-	-	115	(83)	32
Equity-settled share based payments	-	-	9	-	9
Balance at 30 June 2010 (unaudited)	6,367	23,255	(29,600)	(273)	(251)
Balance at 1 January 2010 (audited)	6,367	23,255	(29,724)	(190)	(292)
Profit for the year	-	-	364	-	364
Other comprehensive income	-	-	-	(34)	(34)
Total comprehensive income for the year	-	-	364	(34)	330
Equity-settled share based payments	-	-	18	-	18
Balance at 31 December 2010 (audited)	6,367	23,255	(29,342)	(224)	56
Balance at 1 January 2011 (audited)	6,367	23,255	(29,342)	(224)	56
Profit for the period	-	-	5	-	5
Other comprehensive income	-	-	-	27	27
Total comprehensive income for the period	-	-	5	27	32
Equity-settled share based payments	-	-	7	-	7
Capital reorganisation costs	-	(25)	-	-	(25)
Balance at 30 June 2011 (unaudited)	**6,367**	**23,230**	**(29,330)**	**(197)**	**70**

Condensed Consolidated Balance Sheet

at 30 June 2011

	Note	**Unaudited 30 June 2011**	Unaudited 30 June 2010	Audited 31 December 2010
ASSETS		**£000**	£000	£000
Non-current assets				
Property, plant and equipment		**149**	237	182
Goodwill		**401**	401	401
Development costs		**651**	720	701
Deferred tax assets		**790**	356	790
		1,991	1,714	2,074
Current assets				
Inventories		**1,030**	1,706	911
Trade and other receivables		**2,542**	1,859	2,408
Cash and cash equivalents		**3**	21	-
		3,575	3,586	3,319
Total assets		**5,566**	5,300	5,393
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	*4*	**6,367**	6,367	6,367
Share premium		**23,230**	23,255	23,255
Currency translation reserve		**(197)**	(273)	(224)
Retained earnings deficit		**(29,330)**	(29,600)	(29,342)
Total equity		**70**	(251)	56
Non-current liabilities				
Interest-bearing loans and borrowings		**295**	799	550
Deferred tax liabilities		**189**	66	189
		484	865	739
Current liabilities				
Interest-bearing loans and borrowings		**1,471**	1,119	1,453
Trade and other payables		**3,541**	3,567	3,145
		5,012	4,686	4,598
Total liabilities		**5,496**	5,551	5,337
Total equity and liabilities		**5,566**	5,300	5,393

Condensed Consolidated Statement of Cash Flows
for the six month period ended 30 June 2011

	Unaudited 6 months ended 30 June 2011	Unaudited 6 months ended 30 June 2010	Audited Year ended 31 December 2010
	£000	£000	£000
Cash flows from operating activities			
Profit for the period	**5**	115	364
Adjustments for:			
Depreciation	**45**	61	138
Amortisation of intangible assets	**155**	120	250
Financial income	**(27)**	(42)	(53)
Financial expense	**66**	31	85
Profit on sale of property, plant and equipment	**-**	-	(4)
Equity settled share-based payment expenses	**7**	9	18
Income tax credit	**-**	-	(311)
Operating cash flows before movement in working capital	**251**	294	487
Change in trade and other receivables	**(134)**	1,591	1,042
Change in inventories	**(119)**	(765)	30
Change in trade and other payables	**450**	(2,044)	(2,408)
Cash generated from operations	**448**	(924)	(849)
Interest received	**-**	42	53
Interest paid	**(66)**	(31)	(83)
Income tax received	**-**	9	-
Net cash from operating activities	**382**	(904)	(879)
Cash flows from investing activities			
Sale of property, plant and equipment	**-**	-	4
Acquisition of property, plant and equipment	**(12)**	(31)	(53)
Capitalised development expenditure	**(105)**	(219)	(330)
Net cash outflow from investing activities	**(117)**	(250)	(379)
Cash flows from financing activities			
Repayment of bank borrowings	**(250)**	(201)	(400)
Capital reorganisation expenses	**(25)**	-	-
Net cash outflow from financing activities	**(275)**	(201)	(400)
Net decrease in cash and cash equivalents	**(10)**	(1,355)	(1,658)
Cash and cash equivalents at start of period	**(953)**	701	701
Effect of exchange rate fluctuations on cash held	**-**	6	4
Cash and cash equivalents at end of period	**(963)**	(648)	(953)
Cash and cash equivalents comprise:			
Cash and cash equivalents	**3**	21	-
Overdraft	**(966)**	(669)	(953)
	(963)	(648)	(953)

Notes

1 General

The interim financial information set out in this statement for the six months ended 30 June 2011 and the comparative figures for the six months ended 30 June 2010 are unaudited. This financial information does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.

The comparative figures for the financial year ended 31 December 2010 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Copies of this interim statement will be available on the Company's website (www.petards.com) and from the Company's registered office at 390 Princesway, Team Valley, Gateshead, Tyne and Wear, NE11 0TU.

2 Basis of preparation

This interim statement, which is neither audited nor reviewed, has been prepared in accordance with the measurement and recognition criteria of Adopted IFRSs. It does not include all the information required for the full annual financial statements, and should be read in conjunction with the financial statements of the Group as at and for the year ended 31 December 2010. It does not comply with IAS 34 'Interim Financial Reporting' as is permissible under the rules of the AIM Market ("AIM").

The accounting policies applied in preparing these interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended 31 December 2010, as described in those financial statements other than standards, amendments and interpretations which became effective after 1 January 2011 and were adopted by the Group. These have had no significant impact on the Group's profit for the period or equity. The Board approved these interim financial statements on 29 September 2011.

3 Taxation

No provision for taxation has been made in the Condensed Consolidated Income Statement for the six months to 30 June 2011 based on the estimated tax provision required for the year ending 31 December 2011. No provision was required in the six months to 30 June 2010.

4 Share capital

	At 30 June 2011	At 30 June 2010	At 31 December 2010
	No.	No.	No.
Number of shares in issue – allotted, called up and fully paid			
New Ordinary Shares of 1p each	**6,367,100**	-	-
Deferred Shares of 1p each	**630,342,900**	-	-
Ordinary Shares of 1p each	**-**	636,710,000	636,710,000
	636,710,000	636,710,000	636,710,000
	£000	£000	£000
Number of shares in issue – allotted, called up and fully paid			
New Ordinary Shares of 1p each	**64**	-	-
Deferred Shares of 1p each	**6,303**	-	-
Ordinary Shares of 1p each	**-**	6,367	6,367
	6,367	6,367	6,367

On 30 June 2011 shareholders passed a resolution to reorganise the Company's share capital. Under this reorganisation, the Existing Ordinary Shares of 1p each were consolidated into New Consolidated Ordinary Shares of £100 each on the basis of one New Consolidated Ordinary Share for each 10,000 Existing Ordinary Shares. Each New Consolidated Ordinary Share was then sub-divided into 100 New Ordinary Shares of 1p each and 9,900 Deferred Shares of 1p each.

Following the reorganisation, the Company's issued share capital comprises 6,367,100 Ordinary Shares of 1p each and 630,342,900 Deferred Shares of 1p each. The Ordinary Shares have equal voting rights. The Deferred Shares have no voting rights and are not entitled to any dividends and have no other right or participation in the profits of the Company.

5 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to the shareholders by the weighted average number of shares in issue. The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options.

The calculation of earnings per share is based on the profit for the period and on the weighted average number of ordinary shares outstanding in the period.

The weighted average number of ordinary shares for the 6 months ended 30 June 2010 and the year ended 31 December 2010 have been restated to reflect the reorganisation of the Company's share capital on 30 June 2011 described in note 4.

	Unaudited 6 months ended 30 June 2011	Unaudited 6 months ended 30 June 2010	Audited Year ended 31 December 2010
Earnings			
Profit for the period (£000)	**5**	115	364
Number of shares			
Weighted average number of ordinary shares ('000) as restated	**6,367**	6,367	6,367
Weighted average number of ordinary shares ('000) as originally stated		636,707	636,708
Earnings per share			
Basic and diluted as originally stated (pence)		0.02	0.06

Diluted earnings per share is identical to the basic earnings per share. None of the share options are dilutive as the exercise prices are higher than the average market price of the shares.