28 May 2021

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

Final results for the year ended 31 December 2020

Petards Group plc (AIM: PEG), the AIM quoted developer of advanced security and surveillance systems, is pleased to report its final results for the year ended 31 December 2020.

Key Highlights:

- **Operational**
    - Order book at 31 December 2020: £12 million (31 Dec 2019: £15 million)
    - 2020 year end order book coverage for 2021 in excess of £10 million
    - Covid-19 related factors inevitably impacted the year, but solid progress was made in most areas of the Group
    - Accelerated restructuring resulting in a significant reduction in the on-going cost base
    - Q4 order intake recovered to over £4 million with the award of delayed *eyeTrain* orders from Porterbrook and Bombardier and a £0.8 million ANPR order from a UK police force
    - Focus on developing *eyeTrain* through-life support activities rewarded with orders for first two support contracts and investment made to drive forward this area of business
    - Record trading performance from QRO which has continued into 2021
    - QRO acquisition of NASBox ANPR technology rights for £150,000 cash
    - Establishment of Petards Virtual Technology Centre to capitalise upon the Group's technical and development expertise

- **Financial**
    - Total revenues £13.0 million (2019: £15.7 million)
    - Gross profit margin 36.4% (2019: 30.8%)
    - Adjusted EBITDA* £320,000 profit (2019: £281,000 loss)
    - Operating loss £1,145,000 (2019: £1,287,000 loss)
    - Loss after tax £583,000 (2019: £193,000 loss)
    - Strong cash generation from operating activities £2,398,000 (2019: £142,000)
    - Total net funds (cash less debt) £1,179,000 (31 Dec 2019: £525,000 net debt)
    - Basic and diluted EPS 1.01p loss (2019: basic and diluted 0.34p loss)
    - Post year end secured undrawn £2.5 million 3-year CBILS overdraft facility to May 2024

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

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

"The Group entered 2021 in good shape with a reduced cost base and a strong, cash positive balance sheet. This was recently supplemented by the replacement of its existing £0.75 million revolving credit facility with an undrawn £2.5 million CBILS 3-year overdraft facility, that provides ample capacity to finance any increased working capital requirements arising from a recovery in customer new business activity.

"The first four months of 2021 have started well with all businesses broadly in line or slightly ahead of management expectations in terms of profitability, and revenues are anticipated to be weighted towards the first half of the year.

"On 31 December 2020, the Group's order book stood at over £12 million, of which £10 million is forecast to be delivered this year giving the Board confidence that 2021 will prove to be a better year for the Group."

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

Contacts:

Petards Group plc	*www.petards.com*
Raschid Abdullah, Chairman	Mb: 07768 905004
WH Ireland Limited, Nomad and Joint Broker	*www.whirelandcb.com*
Mike Coe, Chris Savidge	Tel: 0117 945 3470
Hybridan LLP, Joint Broker	*www.hybridan.com*
Claire Louise Noyce	Tel: 020 3764 2341 claire.noyce@hybridan.com

Chairman's statement

As reported in my interim statement of 24 September 2020, trading was proving extremely challenging, in particular for the Group's *eyeTrain* operations, which continued to be the case for the remainder of the year. However, after a difficult couple of years, the Board entered 2021 with a high degree of optimism given the strength of the Group's order book and the expected benefits from the cost alignment programme commenced in 2019.

Revenues for 2020 were £13.0 million (2019: £15.7 million), on which the Group made an adjusted EBITDA* profit of £320,000 (2019: £281,000 loss), a loss before tax of £1,238,000 (2019: £1,462,000 loss) and a loss after tax of £583,000 (2019: £193,000 loss).

Net cash generated from operating activities in the year totalled £2,398,000 (2019: £142,000) leading to closing cash balances at 31 December 2020 of £2,204,000 (31 Dec 2019: £827,000) and net funds of £1,179,000 (31 Dec 2019: £525,000 net debt).

Like so many businesses, customers and suppliers alike, it took a while for the implications of the impact of Covid-19 to be fully appreciated with customers temporarily closing operational units and re-scheduling previously committed delivery dates, both often at very short notice. For Petards, it meant the Board accelerating its cost alignment programme, but doing so judiciously mindful of the importance of maintaining the core and essential skill base of its operations to remain in a position to benefit from a recovery in customer activity levels. This was particularly relevant for *eyeTrain* operations where the workforce reduced by 40% during the year.

New order opportunities for the Group's *eyeTrain* products have been increasingly weighted towards those for the modernisation of existing rolling stock rather than new build trains. This is providing the opportunity for the Group to expand the installed base of its recently developed technically advanced on-train sensing systems. It also meets management's objective to achieve a better balance between larger longer term, new build train contracts and shorter term retrofit projects requiring little new product development expenditure.

QRO Solutions (QRO) and RTS Solutions (RTS) each had a good year with QRO producing its best financial performance in its history and RTS securing a 4-year renewal of a significant support contract and with the potential for renewing others in the current year, in turn providing visibility for future revenues. These acquired businesses have become significant profit and cash flow contributors to the Group, and the Board believes that both have significant potential for organic growth.

The Board remains open to further expanding the Group through quality acquisitions and the acquisition of rights to product, such as those of NASBox acquired by QRO in April 2020, with meaningful returns on investment and strong cash generation coupled with growth potential being the key determinates.

Petards defence services business continued to have difficulty in securing larger equipment contracts for which it tendered, any of which would have been transformational for the business. This led to the Board taking the decision early this year that, in the absence of compelling reasons for doing so, it would not pursue such contracts, but would instead focus on smaller engineering support projects, primarily for the MOD, in areas for which it is already well known and regarded.

Personnel

Covid-19, lockdown, outworking and furlough led to considerable uncertainty in the workplace and in this Petards was no different. Necessary cuts in the number of employees have been made and sadly, people have left the business under the reorganisation.

Against this background what can be said is that the performance of the businesses throughout 2020 and into 2021 is a reflection of the professionalism and the support provided by personnel at all levels, including those who knew they would be leaving as a consequence.

The Board would like to thank all personnel for their efforts and wishes those that have left, every success with their careers, and to those who remain it looks forward to their continued support and contribution in developing and building Petards into a successful growth company.

Environmental, Social and Corporate Governance (ESG)

The Board recognises the importance and the value of ESG and seeks wherever possible to comply with its requirements and in instances where it is not able to do so fully, then it seeks to observe compliance appropriate to its available resources and to the best of its ability.

The Future

Petards Virtual Technology Centre

A significant development since the year-end has been the establishment of Petards Virtual Technology Centre (PVTC) to capitalise upon the wider Group's technical and development expertise. Included in its initial brief is the enhancement of *eyeTrain* on-train sensing systems through use of "best of breed" third party applications, particularly those related to data capture, transmission and analytics. The first of these developments is progressing to plan and is expected to enter preliminary trials in the near future.

The Board envisages the PVTC becoming an increasingly important element of the Group's development through a combination of new product development, the evolution and improvement of existing products and the evaluation of third-party products that might in some cases prove to be acquisition opportunities.

Acquisitions

The Board believes its operations in the sectors of Rail, Traffic and Defence possess the springboard from which to broaden its activities and grow its businesses whether organically, by acquisition or by a combination of both, with Rail and Traffic having the best growth potential.

It is expected that organic growth will be achieved through developing the business where appropriate to do so, into new markets both home and export and product development; hence the importance of the establishment of the PVTC.

Where the Board feels that growth can be accelerated through acquisition, it will look to do so. Any acquisition will be judged on its quality and what it does for the Group and its existing business, or in special circumstances if it gives the Group a strategic position in a field within the Group's current area of expertise.

While the Group's business may best be described as electronic engineering and software, by their very nature and the sectors to which they are allied, this opens the potential for development into the areas of artificial intelligence (AI), data gathering and Big Data, and cyber security.

The Board also believes that at this stage of the Group's development, an acquisition may well open doors for collaboration with larger companies.

Negotiating acquisitions is a long process with many, for a variety of reasons, never coming to fruition. Currently discussions are taking place with potential vendors of their businesses, any of which, if terms can be agreed and the businesses satisfy the due diligence process, would positively benefit the Group.

Outlook

The Group entered 2021 in good shape with a reduced cost base and a strong, cash positive balance sheet. This was recently supplemented by the replacement of its existing £0.75 million revolving credit facility with an undrawn £2.5 million CBILS 3-year overdraft facility, which provides ample capacity to finance any increased working capital requirements arising from a recovery in customer new business activity.

To reflect uncertainty as to how Government's near term rail investment plans would affect the Group's order intake, the Board adopted a cautious approach to the revenue budget for this activity, basing it on already secured systems orders with a de minimis contribution from new business other than on-going orders for spares and repairs. While the outlook for 2021 order intake is now looking more promising, it remains too early to say whether such prospective orders might make a meaningful contribution to 2021 revenues.

The first four months of 2021 have started well with all businesses broadly in line or slightly ahead of management expectations in terms of profitability, and revenues are anticipated to be weighted towards the first half of the year. On 31 December 2020 the Group's order book stood at over £12 million, of which £10 million is forecast to be delivered this year giving the Board confidence that 2021 will prove to be a better year for the Group.

Raschid Abdullah
Chairman

*See Alternative Performance Measures Glossary at the end of this RNS.

Strategic Report

Business review

Petards' operations continue 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 - electronic countermeasure protection systems, mobile radio systems and related engineering services sold predominantly to the UK Ministry of Defence ("MOD").

Operating review

Despite the adverse impact of Covid-19 in some areas of its business, the Group made solid progress during the year, returning an adjusted EBITDA profit, strong cash generation and accelerating its restructuring plans, putting it in a much stronger position to benefit profitably from any recovery in business levels in 2021 and beyond. Progress was also made in the growth and development of the Group's Traffic solutions and a breakthrough was achieved in respect of the sale of maintenance support contracts for some of the Group's rail customers.

The main concerns identified in the early days of the pandemic were that train building customers' production levels would be adversely affected, orders for new train programmes delayed, and orders for defence engineering services reduced in the short term, with MOD project managers being redeployed to Covid support activities. In the event all three proved to be the case although the expected recovery in train production programmes later in the year did not transpire. Additionally, with UK rail services being drastically reduced, revenues from spares and repairs in the year were lower than expected, although with the subsequent increase in train services these appear to be recovering towards pre-pandemic levels.

The Group's *eyeTrain* operations coped with the customer driven changes to delivery schedules and the margin percentage generated increased from that achieved in 2019. While the 2020 margin included the effect of two contracts with lower profitability brought forward from 2019, this effect diminished as one was completed in the first half of the year and as the other drew to a close. However, the majority of 2020 *eyeTrain* system deliveries were supply only and were repeats of previously supplied equipment, so margins on these were not diluted by the non-recurring costs that can often affect new projects.

We were pleased that a long-standing objective to persuade *eyeTrain* customers and end-users of the benefits of long-term support contracts bore fruit with Siemens Mobility UK placing an initial two-year maintenance contract for the provision of technical and software support, servicing and repairs for systems fitted to Siemens Desiro City trains used on Thameslink and Moorgate services. This was followed later in the year by a similar contract for one of the Group's train operating customers and we are hopeful that further such contracts will be secured. Increased focus was placed on developing *eyeTrain* service and support activities and in the latter part of the year a senior appointment was made to drive this area of our business.

While orders for new *eyeTrain* systems were delayed, it was encouraging that in October two supply only orders that had been expected earlier in the year were awarded to Petards. The first worth £1.3 million from Porterbrook Maintenance was for systems to be retro-fitted to the UK's first tri-mode trains (overhead electric, third rail electric and diesel) all of which have been delivered in 2021. The second smaller order, from Bombardier Transportation, was to enhance the video and data collection capability of Porterbrook owned Electrostar trains by retrofitting *eyeTrain* Track Debris/Third Rail cameras with deliveries starting in 2021 and expected to be complete by early 2023.

The prospects for new systems orders are presently better than had been anticipated at year end but it is too early to judge the timing both of order awards and their related deliveries. Nevertheless, we are hopeful that customers and Government will continue to progress their plans for new and refurbished rolling stock projects.

While RTS's planned growth was affected by customers delaying capital-based expenditure to both develop and expand their systems, its strong base of recurring software maintenance and support revenues enabled it to continue to generate a valuable contribution to the Group's results, albeit slightly behind that achieved in 2019. In the first half year it secured the renewal of one of its larger software support services contracts for a further four years to June 2024. Since year end other existing licensing and support agreements for its WMS software have been renewed for a further three years and we expect a key customer to take up the option of extending another large support contract in the near future.

The Board is supportive of proposals presented by RTS management to grow its business and it recently approved incremental investment plans to develop new functionality for RTS's software solutions, the benefits of which are expected to be seen in 2022.

Defence services achieved higher revenues than in 2019, most of the increase being driven by the delivery of approximately 60% of the hardware relating to a £1.1 million contract for electronic countermeasures equipment for an MOD programme. The balance of that equipment is scheduled to be delivered during 2021. Core MOD engineering service contracts continued to provide most of the Group's other defence related revenues.

In recent times the Group has been seeking to grow its presence in defence through two main channels. The first has been to secure larger projects for which the Group has the heritage and capability to successfully execute, and the second to develop its own products.

While the Group has submitted several tenders for larger projects, these have involved competing with major prime contractors to the MOD. While it has come close, the Group has missed out on each one of these opportunities to such primes. Consequently, we have decided to focus on smaller, defence related support opportunities, rather than larger equipment supply projects, unless specific opportunities arise for which the Group's niche expertise would give it a compelling competitive edge.

In terms of developing its own product, in the second half of 2020 the MOD confirmed that the eyeCraft360 spherical video systems developed by Petards had successfully completed trials in partnership with the British Army's Armoured Trials and Development Unit. This was clearly a step forward in eyeCraft360 being potentially specified for fitment to one or more MOD vehicle types. Commercialisation activities with potential overseas customers were significantly curtailed by Covid-19 international travel restrictions which are presently delayed into the second half of 2021. An interesting development since year end has been an order from a large international prime contractor for a trial unit to integrate eyeCraft360 onto one of its own mobile platforms.

While the Group's operations suffered from the impact that Covid-19 had on its customers in the rail and defence markets, in the Traffic sector QRO's strong performance in the first half year continued and it posted record revenues and results for the year. Since its acquisition in 2016 QRO has developed into a larger, more broadly based business and having relocated to new premises in 2019, it further increased capacity in July by leasing an adjacent unit.

Following the decision in 2019 to increase the value-added content of QRO's revenues by developing its own hardware as well as software solutions, in April 2020 it acquired the software and hardware intellectual property rights to Nexus ANPR Smart Box ("NASBox") for £150,000 cash plus an on-going royalty. The NASBox solution creates a fully compliant and cost effective roadside ANPR system when interfaced with commercial off-the-shelf cameras, such as QRO's competitively priced ANPR camera offering. Orders and sales in 2020 met management's expectations and the indications are that it is a valuable addition and will provide opportunities for further growth.

QRO ended the year strongly when in December, Northamptonshire Police awarded it a £0.8 million order to provide an enhanced and extended fixed ANPR camera infrastructure on many strategic arterial and rural roads within its region. This was the largest single order ever awarded to QRO, and 2021 has also started well.

Brexit

The Board continues to monitor the ongoing impact of Brexit on its customer and supplier base, and its current assessment remains that the specific sectors in which the Group operates are not significantly exposed to particular Brexit risk. The Group's EU export revenues comprised only 6% of total revenues in 2020 and mainly relates to trains destined for UK rail projects. While the Group does source components from EU based suppliers, both directly and indirectly, it has not seen any significant Brexit-related impact in its supply chain. Therefore, the Group believes that any impact of Brexit on its activities to be minimal. Considering the much wider impact of the Covid-19 pandemic on the global economy and supply chains, any Brexit impact on the Group that might arise would be increasingly difficult to specifically identify.

Financial review

Operating performance

2020 deliveries were affected by the impact of customer order placement delays and production re-scheduling, which were in large part Covid-19 related and revenues for the year were lower at £13.0 million (2019: £15.7 million). While the Group's Traffic and Defence operations saw large percentage increases in revenue over the prior year, these were only able to mitigate the impact of a significant reduction in *eyeTrain* equipment deliveries, and lower associated spares and repairs volumes with fewer train services running post lock down following the dramatic reduction in passenger numbers.

The gross margin for the year increased to 36.4% from 30.8% in 2019, which together with that for 2018, had been affected by two lower margin projects. While these also had some impact on 2020, the Group showed improved margins across most activities.

Before exceptional restructuring costs of £425,000, administrative expenses fell by 11% to £5,454,000 (2019: £6,130,000), reflecting the benefits of the cost realignment programme undertaken in respect of the Group's *eyeTrain,* and to a lesser extent, its Defence activities. Administrative expenses included amortisation and depreciation charges of £1,014,000, slightly up on the £976,000 charged in 2019, and are stated net of Job Retention Scheme grants received of £141,000.

Earnings before interest, tax, depreciation, amortisation, exceptional items, acquisition costs and share based payment charges ("adjusted EBITDA") improved to a profit of £320,000 compared with a 2019 loss of £281,000.

Net financial expenses reduced to £93,000 (2019: £176,000) mainly due to a lower foreign exchange charge, but also due to lower interest on the Group's term loan, that financed its acquisition of RTS, as the loan reduces.

The tax credit of £655,000 for the year (2019: £1,269,000 credit) includes R&D tax credits totalling £748,000, relating to prior years' R&D activities. The cash refunds received in the year were £1,660,000 of which £733,000 relates to tax credits recognised in 2020 and a further £927,000 to those recognised in 2019. The balance of the 2020 tax credit was a net charge of £93,000 comprising a deferred tax charge arising from the surrender of previously recognised losses for R&D tax credits offset by deferred tax credits from the recognition of 2020 losses and the change in tax rate from 17% to 19%.

The overall result for the Group for the year was a loss after tax of £583,000 (2019: £193,000 loss) and a basic and diluted loss per share of 1.01p (2019: 0.34p loss).

Research and development

The Group continues to invest in its software and hardware solutions developed both internally and externally. Overall investment totalled £1,434,000 (2019: £1,386,000) with £150,000 related to the acquisition of the intellectual property rights of NASBox and £1,284,000 to the Group's own development activities, of which £371,000 was capitalised (2019: £696,000). The capitalised development costs related predominantly to the Group's *eyeTrain* advanced on-train sensing software and systems. In addition to *eyeTrain*, the Group continued to invest in the development roadmaps of QRO, RTS and eyeCraft360.

Cash, cash flow and net debt

Net cash inflows from operating activities for the year, after restructuring costs, were £2,398,000 (2019: £142,000), of which £1,660,000 related to R&D tax credits arising from the substantial investment in product development over the period 2017 to 2019.

Net cash outflows from investing activities were £543,000 (2019: £963,000) and arose from the investment in capitalised product development and the acquisition of NASBox intellectual property rights. As was the case in 2019, the main net financing outflows of £478,000 (2019: £469,000) related to repayments of the 5-year term loan and the principal paid on lease liabilities.

At 31 December 2020, the Group's cash and cash equivalents were £2,204,000 (2019: £827,000). While the Group incurred a significant loss before tax in the year, the receipt of substantial R&D tax credits and reductions in working capital resulted in the net increase in cash and cash equivalents of £1,377,000.

Net funds at 31 December 2020 were £1,179,000 (2019: £525,000 net debt) after deducting IFRS 16 lease liabilities of £398,000 (2019: £471,000).

During the year the Group had available to it a £0.75 million revolving credit facility although this has never been drawn. Post year-end the Group's bankers agreed that this be replaced with a 3-year £2.5 million CBILS overdraft facility to provide the Group with the capacity to finance additional working capital should that be required.

Osman Abdullah

Group Chief Executive

Consolidated income statement
for year ended 31 December 2020

	Note	**2020**	2019
		£000	£000
Revenue	*2*	**13,001**	15,706
Cost of sales		**(8,267)**	(10,863)
Gross profit		**4,734**	4,843
Administrative expenses		**(5,879)**	(6,130)
Adjusted EBITDA*		**320**	(281)
Amortisation of intangibles		**(637)**	(639)
Depreciation of property, plant and equipment		**(244)**	(204)
Amortisation of right of use assets		**(133)**	(133)
Share based payment charges		**(26)**	(30)
Exceptional restructuring costs		**(425)**	-
Operating (loss)/profit		**(1,145)**	(1,287)
Finance income	*3*	**-**	1
Finance expenses	*3*	**(93)**	(176)
Loss before tax		**(1,238)**	(1,462)
Income tax	*4*	**655**	1,269
Loss for the year attributable to equity shareholders of the parent		**(583)**	(193)
Other comprehensive income		**-**	-
Total comprehensive expense for the year		**(583)**	(193)
Loss per ordinary share (pence)			
Basic	*5*	**(1.01)**	(0.34)
Diluted	*5*	**(1.01)**	(0.34)

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

Statements of changes in equity
for year ended 31 December 2020

	Share capital £000	Share premium £000	Equity reserve £000	Retained earnings £000	Total equity £000
At 1 January 2019	575	1,617	14	5,435	7,641
Loss for the year	-	-	-	(193)	(193)
Total comprehensive expense for the year	-	-	-	(193)	(193)
Contributions by and distributions to owners					
Equity-settled share based payments	-	-	-	30	30
Total contributions by and distributions to owners	-	-	-	30	30
At 31 December 2019	**575**	**1,617**	**14**	**5,272**	**7,478**
At 1 January 2020	575	1,617	14	5,272	7,478
Loss for the year	-	-	-	(583)	(583)
Total comprehensive expense for the year	-	-	-	(583)	(583)
Contributions by and distributions to owners					
Equity-settled share based payments	-	-	-	26	26
Exercise of share options	-	7	-	-	7
Total contributions by and distributions to owners	-	7	-	26	33
At 31 December 2020	**575**	**1,624**	**14**	**4,715**	**6,928**

Consolidated balance sheet
at 31 December 2020

	Note	2020	2019
		£000	£000
ASSETS			
Non-current assets			
Property, plant and equipment		**761**	973
Right of use assets		**387**	466
Intangible assets		**4,617**	4,733
Investments in subsidiary undertakings		**5**	-
Deferred tax assets	*6*	**522**	528
		6,292	6,700
Current assets			
Inventories		**2,372**	2,430
Trade and other receivables		**2,645**	3,798
Cash and cash equivalents		**2,204**	827
		7,221	7,055
Total assets		**13,513**	13,755
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	*8*	**575**	575
Share premium		**1,624**	1,617
Equity reserve		**14**	14
Retained earnings		**4,715**	5,272
Total equity		**6,928**	7,478
Non-current liabilities			
Interest-bearing loans and borrowings	*7*	**649**	338
Trade and other payables		**-**	-
		649	338
Current liabilities			
Interest-bearing loans and borrowings	*7*	**376**	1,014
Trade and other payables		**5,560**	4,925
		5,936	5,939
Total liabilities		**6,585**	6,277
Total equity and liabilities		**13,513**	13,755

Consolidated statement of cash flows

for year ended 31 December 2020

	Note	**2020**	2019
		£000	£000
Cash flows from operating activities			
Loss for the year		**(583)**	(193)
Adjustments for:			
Depreciation of property, plant and equipment		**244**	204
Amortisation of right of use assets		**133**	133
Amortisation of intangible assets		**637**	639
Loss on disposal of property, plant and equipment		**1**	-
Profit on disposal of right of use assets		**(5)**	-
Financial income	*3*	**-**	(1)
Financial expenses	*3*	**93**	176
Equity settled share-based payment expenses		**26**	30
Income tax credit	*4*	**(655)**	(1,269)
Operating cash flows before movement in working capital		**(109)**	(281)
Change in inventories		**58**	1,118
Change in trade and other receivables		**226**	(379)
Change in trade and other payables		**563**	(425)
Cash generated from operations		**738**	33
Tax received		**1,660**	109
Net cash from operating activities		**2,398**	142
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(33)**	(263)
Acquisition of right of use assets		**-**	(5)
Sale of right of use assets		**16**	-
Acquisition of intangible assets		**(150)**	-
Capitalised development expenditure		**(371)**	(696)
Acquisition of investments		**(5)**	-
Interest received		**-**	1
Net cash outflow from investing activities		**(543)**	(963)
Cash flows from financing activities			
Bank loan repaid	*7*	**(250)**	(250)
Interest paid on loans and borrowings	*7*	**(33)**	(53)
Principal paid on lease liabilities	*7*	**(138)**	(117)
Interest paid on lease liabilities	*7*	**(20)**	(25)
Other interest and foreign exchange		**(44)**	(24)
Proceeds from exercise of share options	*8*	**7**	-
Net cash outflow from financing activities		**(478)**	(469)
Net increase/(decrease) in cash and cash equivalents		**1,377**	(1,290)
Total movement in cash and cash equivalents in the year		**1,377**	(1,290)
Cash and cash equivalents at 1 January		**827**	2,117
Cash and cash equivalents at 31 December		**2,204**	827

Notes

1 Basis of preparation

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

The financial information does not constitute the Company's statutory accounts for the years ended 31 December 2020 or 31 December 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered in due course. The Auditor has reported on those accounts; his reports (i) were unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying his report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going concern

Petards is a critical supplier to many of its customers supporting the UK's police and armed forces as well as the safe running of the railways. The main risks to the Group's cash flows identified are firstly, that customers may delay or re-schedule deliveries for orders already in the Group's order book and secondly that, in the short term, contract awards that the Group was expecting to secure for revenue in 2021 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 since the year end has entered into a 3-year overdraft facility of £2.5 million which is available until May 2024. Interest bearing loans and borrowings total £1.03 million at the year-end (note 7).

The Group has prepared working capital forecasts based on the 2021 budget updated for material known changes since it was prepared and the 2021 management accounts to 31 March 2021. The time period reviewed is to 30 June 2022. At 30 April 2021 the Group had cash balances of £2.9 million and its available working capital facilities were undrawn. The model also considers the potential impact of rail 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 31 May 2022. Accordingly, they have adopted the going concern basis in preparing these financial statements.

2 Segmental information

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

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

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

Revenue by geographical destination can be analysed as follows:

	2020	2019
	£000	£000
United Kingdom	**12,080**	13,145
Continental Europe	**837**	2,493
Rest of World	**84**	68
	13,001	15,706

The timing of revenue recognition can be analysed as follows:

	2020	2019
	£000	£000
Products and services transferred at a point in time	**11,118**	14,075
Products and services transferred over time	**1,883**	1,631
	13,001	15,706

3 Finance income and expenses

	2020	2019
	£000	£000
Recognised in profit or loss		
Interest on bank deposits	**-**	1
Financial income	**-**	1

	2020	2019
	£000	£000
Interest expense on financial liabilities at amortised cost	**29**	51
Interest expense on lease liabilities	**20**	25
Other interest payable	**23**	14
Other exchange loss	**21**	86
Financial expenses	**93**	176

4 Taxation

Recognised in the income statement

	2020	2020	2019	2019
	£000	**£000**	£000	£000
Current tax (credit)/expense				
Current tax charge	**87**		36	
Adjustments in respect of prior years	**(748)**		(1,167)	
Total current tax		**(661)**		(1,131)
Deferred tax (credit)/expense				
Origination and reversal of temporary differences	**(358)**		(429)	
Recognition of previously unrecognised tax losses	**-**		84	
Utilisation of recognised tax losses	**13**		16	
Adjustment in respect of prior years	**412**		166	

Effect of change in rate of corporation tax	**(61)**		-	
Effect of differential tax rate for deferred tax	**-**		25	
Total deferred tax		**6**		(138)
Total tax credit in income statement		**(655)**		(1,269)

The £748,000 credit to current tax in respect of prior years related 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.

Following an announcement in the Budget on 11 March 2020, which was substantively enacted on 17 March 2020, the UK corporation tax rate applicable from 1 April 2020 remained at 19%, rather than the previously enacted reduction to 17%. The 17% rate was applied to the closing deferred tax balances at 31 December 2019 whereas the 19% rate has been applied to the closing deferred tax balances at 31 December 2020.

Reconciliation of effective tax rate

	2020	2019
	£000	£000
Loss before tax	**(1,238)**	(1,462)
Tax using the UK corporation tax rate of 19% (*2019: 19%)*	**(236)**	(278)
Non-deductible expenses	**18**	44
Recognition of previously unrecognised tax losses	**(41)**	(59)
Adjustments in respect of prior years	**(336)**	(1,001)
Effect of change in rate of corporation tax	**(61)**	-
Effect of differential tax rate for deferred tax	**-**	25
Other reconciling items	**1**	-
Total tax credit	**(655)**	(1,269)

5 Earnings per share

Basic earnings per share

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

	2020	2019
Earnings		
Loss for the year (£000)	**(583)**	(193)
Number of shares		
Weighted average number of ordinary shares ('000)	**57,526**	57,468
Basic loss per share (pence)	**(1.01)**	(0.34)

Diluted earnings per share

Diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, which arise from share options that would decrease earnings per share or increase loss per share from continuing operations, and is calculated by dividing the adjusted profit for the year attributable to the shareholders by the assumed weighted average number of shares in issue. Due to the loss in 2019 and 2020, the share options in issue had an anti-dilutive effect.

	2020	2019
Adjusted earnings		
Loss for the year (£000)	**(583)**	(193)
Number of shares		
Weighted average number of ordinary shares ('000)	**57,526**	57,468
Diluted loss per share (pence)	**(1.01)**	(0.34)

6 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2020	2019	**2020**	2019	**2020**	2019
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**-**	-	**(48)**	(80)	**(48)**	(80)
Provisions	**5**	5	**-**	-	**5**	5
Tax value of loss carry-forwards	**937**	919	**-**	-	**937**	919
Intangible fixed assets	**-**	-	**(372)**	(328)	**(372)**	(328)
Initial application of IFRS 15	**-**	12	**-**	-	**-**	12
Tax assets/(liabilities)	**942**	936	**(420)**	(408)	**522**	528
Offset of tax	**(420)**	(408)	**420**	408	**-**	-
Net tax assets	**522**	528	**-**	-	**522**	528

Unrecognised deferred tax assets are attributable to the following:

	Assets	Assets
	2020	2019
	£000	£000
Property, plant and equipment	**278**	248
Provisions	**2**	2
Tax value of loss carry-forwards	**1,475**	1,356
Tax assets	**1,755**	1,606

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

Movement in deferred tax during the year

	1 January 2020	**Recognised in income**	**31 December 2020**
	£000	**£000**	**£000**
Property, plant and equipment	**(80)**	**32**	**(48)**
Provisions	**5**	**-**	**5**
Tax value of loss carry-forwards	**919**	**18**	**937**
Intangible fixed assets	**(328)**	**(44)**	**(372)**
Initial application of IFRS 15	**12**	**(12)**	**-**
	528	**(6)**	**522**

Movement in deferred tax during the prior year

	1 January 2019 £000	Recognised in income £000	31 December 2019 £000
Property, plant and equipment	**(46)**	(34)	**(80)**
Provisions	**5**	-	**5**
Tax value of loss carry-forwards	**524**	395	**919**
Intangible fixed assets	**(103)**	(225)	**(328)**
Initial application of IFRS 15	**10**	2	**12**
	390	138	**528**

7 Interest-bearing loans and borrowings

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

	2020 £000	2019 £000
Non-current liabilities		
Bank loan	**375**	-
Lease liabilities	**274**	338
	649	338
Current liabilities		
Bank loan	**252**	881
Current portion of lease liabilities	**124**	133
	376	1,014

The interest rate was set at LIBOR plus 3.19% and the loan is secured by a fixed and floating charge over the assets of the Group. In May 2021 the bank loan was re-financed as a CBILS term loan over the existing term and no interest is payable for the first year. The Group had available a revolving credit facility of up to £750,000 which was undrawn at both 31 December 2020 and 31 December 2019. Post year end that facility was replaced with a £2,500,000 3-year CBILS overdraft facility which expires in May 2024.

Changes in liabilities from financing activities

	Non-current loans and borrowings £000	Current loans and borrowings £000	Lease liabilities £000
Balance at 1 January 2020	-	**881**	471
Cash items:			
Repayment of bank loan and interest	-	**(283)**	-
Payment of lease liabilities	-	**-**	(158)
Non-cash items:			
New lease liabilities	-	**-**	65
Interest expense	-	**29**	20
Re-classified from current to non-current in year	375	**(375)**	-
Balance at 31 December 2020	**375**	**252**	**398**

	Non-current loans and borrowings £000	Current loans and borrowings £000	Lease liabilities £000
Balance at 1 January 2019	875	258	404
Cash items:			
Repayment of bank loan and interest	-	(303)	-
Payment of lease liabilities	-	-	(142)
Non-cash items:			
New lease liabilities	-	-	184
Interest expense	-	51	25
Re-classified from current to non-current in year	(875)	875	-
Balance at 31 December 2019	-	881	471

8 Share capital

	At 31 December 2020 Number	At 31 December 2019 Number
Number of shares in issue – allotted, called up and fully paid		
Ordinary shares of 1p each	**57,528,229**	57,468,229
	£000	£000
Value of shares in issue – allotted, called up and fully paid		
Ordinary shares of 1p each	**575**	575

The Company's issued share capital comprises 57,528,229 ordinary shares of 1p each, all of which have equal voting rights.

On 13 January 2020 the Company issued 60,000 ordinary 1p shares at a price of 12.25p each on the exercise of employee share options.

9 Annual Report and Accounts

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

Alternative Performance Measures Glossary

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

Adjusted EBITDA

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

Order intake

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

Order book

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

Net funds

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