

5 May 2022

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

Final results for the year ended 31 December 2021

Petards Group plc (AIM: PEG), the AIM quoted developer of advanced security and surveillance systems, is pleased to report its audited final results for the year ended 31 December 2021.

Key Highlights:

- **Financial**

- Total revenues £13,574,000 (2020: £13,001,000)
- Gross profit margin increased to 44.9% (2020: 36.4%)
- Adjusted EBITDA* £1,534,000 profit (2020: £320,000 profit)
- Operating profit £570,000 (2020: £1,145,000 loss)
- Profit after tax £865,000 (2020: £583,000 loss)
- Continued strong cash generation from operating activities £745,000 (2020: £2,398,000)
- Total net funds (cash less debt) £1,510,000 (31 Dec 2020: £1,179,000)
- Basic EPS 1.51p earnings and diluted EPS 1.47p earnings (2020: basic and diluted 1.01p loss)
- Secured undrawn £2.5 million 3-year CBILS overdraft facility to May 2024

- **Operational**

- Order book at 31 December 2021: circa £7 million (30 June 2021: circa £9 million)
- £8 million revenue coverage for FY 2022 from deliveries and orders on hand at 31 March 2022
- Margins improved significantly following restructuring undertaken in prior year
- Another record trading performance from QRO which is continuing into 2022
- On-train trials of AI technology solution arising from work of Petards' Virtual Technology Centre

*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 closed the year with an order book of around £7 million and trading for the first three months of 2022 has started well, with the Group trading slightly ahead of management's expectations. At present this is thought to be timing related rather than an indication of a better than expected performance for the year. With scheduled deliveries of £8 million already secured for the current year by the end of the first quarter, the Board has confidence that the Group is positioned to make further progress in 2022."

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

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Chairman's statement

I am pleased to report that the results for the year again showed a significant improvement against those reported in the prior year. Against a background of economic uncertainty arising from the legacy of Covid-19 and its various successor strains, and inflationary fears becoming a reality, the Group traded in line with market expectations with revenues increasing to £13,574,000 (2020: £13,001,000) and adjusted EBITDA* increasing almost five-fold to a profit of £1,534,000 (2020: £320,000).

This improvement was seen across all other profit measures with profit before tax increasing to £502,000 from a loss of £1,238,000, and profit after tax to £865,000 from a £583,000 loss.

Net cash generated from operating activities in the year totalled £745,000 (2020: £2,398,000) leading to closing cash balances at 31 December 2021 of £2,277,000 (31 December 2020: £2,204,000) and net funds of £1,510,000 (31 December 2020: £1,179,000).

As anticipated in my statement of last September, revenues and profitability were weighted towards the first half of the year. However, given the challenges outlined above facing the Group's businesses, the Board considers the result to be creditable with both the first and second half of the year being profitable, and justified its decision in 2020 to realign its cost base, a process which continued into 2021.

While the last couple of years have been difficult for smaller businesses such as Petards, I am pleased to report that the Group's balance sheet is in good shape. Net assets at 31 December 2021 increased to £7,722,000 (2020: £6,928,000) including cash balances of £2,277,000 (2020: £2,204,000) and with minimal debt.

Personnel

The success arising out of the reorganisation of the Group's eyeTrain operations in 2020 and other cost realignments undertaken in 2021, has been very much to the credit of our management and their respective teams. They have all demonstrated commitment and resilience during this period of significant change.

We very much appreciate the key role all personnel have played and continue to play in developing the Group, especially through the difficult times of the last couple of years, and I and the Board on behalf of shareholders extend our thanks to each and every one of them.

I am also pleased to welcome to the Group, Ben Gillam as Company Secretary and Group Financial Controller who joined us earlier this year. Ben is an experienced chartered accountant and joins us from TT Electronics plc where he spent the last 15 years in a variety of head office and operational finance roles.

Environmental Social Governance ("ESG")

The Board has continued to work towards relevant proportionate long term ESG goals within the Group's operations. The on-going development of our operations and product offerings will continue to embrace ESG considerations in partnership with our customers, suppliers, and the communities in which we operate.

Petards Virtual Technology Centre ("PVTC")

I am pleased to report that our PVTC has been successful in providing a focussed technical forum to drive forward the Group's product development plans. As a result of work carried out through the PVTC, we are presently trialling with a major train operator, an artificial intelligence ("AI") and machine learning solution which utilises Petards' existing technology. If successful, this on-train solution would provide rail operators with the potential for real time data analytics to identify on-track hazards and safety improvements to their rail networks.

Acquisitions

The Board has reviewed a number of potential acquisitions, both in the rail and surveillance infrastructure markets. Agreeing fair value with the vendors of these businesses has proved challenging, particularly those who depend heavily on the government purse for their revenue at a time when many forecast projects are being deferred.

Despite this background, the Company will continue to review relevant opportunities.

Outlook

The Group enters 2022 with its reduced cost base, improved productivity and a strong, cash positive balance sheet.

The strong financial performance delivered for 2021 was achieved against the backdrop of the continuing effects of the pandemic on government spending in certain sectors, and the state of flux experienced by the UK rail industry in recent times, including the formation of Great British Railways. Both these factors are likely to influence the outcome for the current financial year.

While there has been increasing bid activity in recent months, primarily for smaller projects, the timing of order placements is still difficult to predict. For the immediate future, the eyeTrain order book is likely to comprise smaller projects with shorter delivery cycles. This contrasts with the larger multi-year deliveries for new rolling stock projects that have comprised a significant element of the Group's order book in recent years. Such smaller retrofit and refurbishment orders are often delivered in the same year they are received.

The Group closed the year with an order book of around £7 million and trading for the first three months of 2022 has started well, with the Group trading slightly ahead of management's expectations. At present this is thought to be timing related rather than an indication of a better than expected performance for the year. With scheduled deliveries of £8 million already secured for the current year by the end of the first quarter, the Board has confidence that the Group is positioned to make further progress in 2022.

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

The significant increase in adjusted EBITDA profit in 2021 reflected the full year benefit of the restructuring of the Group's eyeTrain operations in 2020, and the continued growth of the Group's Traffic solutions. Higher levels of maintenance and support activities from rail and defence customers also contributed to the stronger performance.

Notable achievements within the Group's eyeTrain operation included the delivery of systems for fitment by Porterbrook Maintenance to the UK's first tri-mode trains, capable of running on overhead and third rail electric lines as well as under their own diesel power. This £1 million project was delivered in full, on schedule and only a few months from when the contract was awarded.

Management also continued to have to manage a much higher level of re-scheduling of deliveries by customers than was the case pre-pandemic. However, with the volume of train services increasing, revenues from the provision of engineering support, spares and repairs for our existing installed base recovered to almost pre-pandemic levels.

In May 2021, the long awaited government policy paper on the UK railways, "Great British Railways: Williams-Shapps Plan for Rail" ("the Plan") was published, based on a 'root and branch' review of the structure of the UK rail industry. The Plan is wide ranging covering the sector's recovery post pandemic, passenger experience, safe and secure railways for all, growth not contraction of the network while seeking to retain the best elements of the private sector. In addition to the impact the Plan has had on short term investment decisions by central government, the demise of the independent Train Operating Companies ("TOCs") has further affected UK rail investment and decision making, at least in the shorter term.

Recognising that the Plan was imminent and the impact this was starting to have on the Group's rail customers when it came to decisions concerning new investment, the Board took the view in 2020 to plan based on there being little new business available from major new build or refurbishment rolling stock projects in the near term and planned accordingly. This approach proved justified with the completion of the acquisition of Bombardier Transportation by Alstom during the early part of 2021 compounding the degree of change experienced in the sector.

Nevertheless, while no significant projects were secured in the period, we are starting to see a higher level of eyeTrain opportunities both for the UK and overseas markets. These are predominantly for smaller retrofit and upgrade projects rather than larger new train build projects with lead times from first enquiry to first delivery for the former being much shorter than new build projects which have dominated the Group's order book in the last ten years.

While, when available, suitable larger contracts will be tendered for, management's focus will be on securing contracts where it is able to protect its margins through quality of product, systems and delivery performance over shorter contract delivery time periods.

Elsewhere in rail, RTS Solutions ("RTS") had another solid year in terms of its revenue, profitability and cash flow and licence and maintenance contract renewals totalling £0.8 million were received for its rail infrastructure focussed software offering.

At the outset of the year, the Board approved a strategy proposal involving investment in new software offerings and services for RTS's customers and in marketing and business development resources, including the development and launch of the new RTS website www.rts-solutions.net in December. The Board views RTS as having the potential to further develop in the trackside management and rail health & safety segment, and with this in mind has embarked on a review of this sub-sector for opportunities as well as acquisitions that might reduce the timeframe of route to market.

QRO Solutions ("QRO") had another record year in terms of revenue, cash flow and profitability. Of particular note was the on-time delivery of an export order worth in excess of £500,000 to a new customer for ProVida speed enforcement systems, and increasing sales of the NASBox, whose rights were acquired in 2020, with 400 units being delivered in 2021.

We are expecting the coming year for QRO to continue strongly, with the addition of six new UK police forces to QRO's customer list and the launch of several new products. These include the Q-Box, a cost effective in-vehicle

ANPR solution for which there has been a high level of customer interest and revenues in the first quarter of 2022.

Petards' Defence made an increased contribution to the Group's profitability in the year. It is primarily a provider of specialist engineering services and value added reseller, for which it is well known to the MOD and UK prime defence contractors. Following the Board's decision in 2020 to focus on securing smaller orders, order intake increased in 2021 and it is hoped that the securing of a 5-year framework contract in June from the MOD for the support of threat simulator systems will give rise to additional order flow in the coming years. Management is seeking to develop its Defence offering, playing to its strength and experience of providing customers with high value-add support and engineering services.

During the year Petards was not totally immune to the impact of Brexit and Covid-19 on its supply chain. Global component shortages have meant that management have had to work hard to mitigate any implications these had on delivery timescales. Where practicable certain components have been purchased ahead of time, and inventory levels increased, and the situation continues to be closely monitored.

So far, we have not seen any supply chain or inflationary pressures specific to the Ukrainian conflict. The Group does not have any customers or direct supply chain dependencies in Ukraine and while the situation is concerning, the Board is not expecting any specific supply chain inflation.

The growing risk of cyber threats is an area of focus for the Group's customers. This may well present sales opportunities in due course, but with regard to the resilience of the Group's own systems, during and since the year end it has been proactive in enhancing the measures taken to reduce exposure to such threats.

Financial review

Operating performance

Group revenues increased by 4% to £13,574,000 (2020: £13,001,000). The main driver for the increased revenues in 2021 was the Group's Traffic products, with QRO continuing its strong growth record since its acquisition five years ago. Revenues from Rail and Defence products were at similar levels to those achieved in the prior year.

The increase in overall gross profit margin seen at the half year stage continued into the second half of 2021. All product areas saw their gross profit margins at either similar or increased levels as compared with those in 2020 with the cost base reductions made in 2020 feeding through to higher gross profit margin. This, coupled with higher levels of service and licence income, and significantly lower non-recurring eyeTrain project costs, resulted in gross profit margins improving year-on-year to 44.9% (2020: 36.4%).

While administrative costs, fell by £349,000 to £5,530,000 (2020: £5,879,000), the like-for-like reduction was small as the prior year included exceptional restructuring costs of £425,000 and Job Retention Scheme grants received of £141,000. QRO saw some growth in its overheads related to its growing revenues, but this was offset by reductions in other operations.

There was a very significant increase in earnings before interest, tax, depreciation, amortisation, exceptional items, acquisition costs and share based payment charges ("adjusted EBITDA"), which rose from a profit of £320,000 in 2020 to a profit of £1,534,000 in 2021.

Net financial expenses reduced to £68,000 (2020: £93,000) mainly due to a lower foreign exchange charge, and lower interest on the Group's CBILs term loan as that loan reduced through repayments. While that loan is interest free for the first year to May 2022, the interest charge has been shown gross and the interest saving of £8,000 shown as other income.

The tax credit of £363,000 (2020: £655,000 credit) largely reflected R&D tax credits of £532,000 claimed and recognised in 2021, relating to 2020, with the related cash refunds of £461,000 being received in the year. Claims for 2021 R&D activities will be made and recognised in 2022. The balance of the 2021 tax credit included a deferred tax charge of £126,000 arising from the surrender of previously recognised losses for R&D tax credits and the

utilisation of previously recognised tax losses, net of a £94,000 credit from the recognition of net deferred tax assets at the corporation tax rate of 25% effective from 1 April 2023.

The overall result for the Group for the year was a profit after tax of £865,000 (2020: £583,000 loss) and represented diluted earnings per share of 1.47p (2020: 1.01p loss).

Research and development

The Group continued to invest in its internally developed software and hardware solutions. That investment totalled £553,000 in 2021 amounting to 4% of revenues (2020: £1,284,000), of which only £17,000 was capitalised (2020: £371,000). The capitalised development costs related to the Group's eyeTrain advanced on-train sensing software and systems. In addition to eyeTrain, the other R&D costs incurred related to the enhancement of the software and hardware solutions of QRO and RTS.

Cash, cash flow and net debt

The Group again recorded a strong cash generative performance with net cash inflows from operating activities totaling £745,000 (2020: £2,398,000). This was despite working capital increasing by a net £1,242,000 in the year much of which related to the unwinding in the second half year of a very favorable working capital position on a large project that arose in 2020. The operating cash inflows included £461,000 in respect of R&D tax credits arising from product development undertaken in 2020. The prior year's R&D tax receipts of £1,660,000 were much higher as they included R&D tax credits relating to more than one year.

Capital equipment purchases for QRO accounted for the majority of the £127,000 net cash outflows from investing activities (2020: £543,000). In addition to repayments of the 5-year term loan and the principal paid on lease liabilities, the net financing outflows of £545,000 (2020: £478,000) included £103,000 in respect of the Company's purchase of 1,000,000 of its own ordinary shares which are presently held as treasury shares.

At 31 December 2021 the Group's cash and cash equivalents were £2,277,000 (2020: £2,204,000) and net funds at 31 December 2021 were £1,510,000 (2020: £1,179,000 net debt) after deducting IFRS 16 lease liabilities of £392,000 (2020: £398,000).

In May 2021 the Group entered into 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, although to date this has not been drawn.

Osman Abdullah

Group Chief Executive

Consolidated income statement
for year ended 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
Revenue	2	13,574	13,001
Cost of sales		(7,482)	(8,267)
		<hr/>	<hr/>
Gross profit		6,092	4,734
Administrative expenses		(5,530)	(5,879)
Other income		8	-
		<hr/>	<hr/>
Adjusted EBITDA*		1,534	320
Amortisation of intangibles		(603)	(637)
Depreciation of property, plant and equipment		(193)	(244)
Amortisation of right of use assets		(136)	(133)
Share based payment charges		(32)	(26)
Exceptional restructuring costs		-	(425)
		<hr/>	<hr/>
Operating profit/(loss)		570	(1,145)
Finance income	3	-	-
Finance expenses	3	(68)	(93)
		<hr/>	<hr/>
Profit/(loss) before tax		502	(1,238)
Income tax	4	363	655
		<hr/>	<hr/>
Profit/(loss) for the year attributable to equity shareholders of the parent		865	(583)
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income/(expense) for the year		865	(583)
		<hr/>	<hr/>
Earnings/(loss) per ordinary share (pence)			
Basic	5	1.51	(1.01)
Diluted	5	1.47	(1.01)
		<hr/>	<hr/>

* 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 2021

	Share capital £000	Share premium £000	Treasury shares £000	Equity reserve £000	Retained earnings £000	Total equity £000
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
At 1 January 2021	575	1,624	-	14	4,715	6,928
Profit for the year	-	-	-	-	865	865
Total comprehensive income for the year	-	-	-	-	865	865
Contributions by and distributions to owners						
Equity-settled share based payments	-	-	-	-	32	32
Purchase of treasury shares	-	-	(103)	-	-	(103)
Total contributions by and distributions to owners	-	-	(103)	-	32	(71)
At 31 December 2021	575	1,624	(103)	14	5,612	7,722

Consolidated balance sheet
at 31 December 2021

	Note	2021 £000	2020 £000
ASSETS			
Non-current assets			
Property, plant and equipment		686	761
Right of use assets		366	387
Intangible assets		4,031	4,617
Investments in subsidiary undertakings		5	5
Deferred tax assets	6	396	522
		<hr/>	<hr/>
		5,484	6,292
		<hr/>	<hr/>
Current assets			
Inventories		1,659	2,372
Trade and other receivables		1,989	2,645
Cash and cash equivalents		2,277	2,204
		<hr/>	<hr/>
		5,925	7,221
		<hr/>	<hr/>
Total assets		11,409	13,513
		<hr/>	<hr/>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	8	575	575
Share premium		1,624	1,624
Treasury shares		(103)	-
Equity reserve		14	14
Retained earnings		5,612	4,715
		<hr/>	<hr/>
Total equity		7,722	6,928
		<hr/>	<hr/>
Non-current liabilities			
Interest-bearing loans and borrowings	7	284	649
		<hr/>	<hr/>
Current liabilities			
Interest-bearing loans and borrowings	7	483	376
Trade and other payables		2,920	5,560
		<hr/>	<hr/>
		3,403	5,936
		<hr/>	<hr/>
Total liabilities		3,687	6,585
		<hr/>	<hr/>
Total equity and liabilities		11,409	13,513
		<hr/>	<hr/>

Consolidated statement of cash flows

for year ended 31 December 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Profit/(loss) for the year		865	(583)
Adjustments for:			
Depreciation of property, plant and equipment		193	244
Amortisation of right of use assets		136	133
Amortisation of intangible assets		603	637
Loss on disposal of property, plant and equipment		-	1
Profit on disposal of right of use assets		(8)	(5)
Financial expenses	3	68	93
Equity settled share-based payment expenses		32	26
Income tax credit	4	(363)	(655)
Operating cash flows before movement in working capital		1,526	(109)
Change in inventories		713	58
Change in trade and other receivables		641	226
Change in trade and other payables		(2,596)	563
Cash generated from operations		284	738
Tax received		461	1,660
Net cash from operating activities		745	2,398
Cash flows from investing activities			
Acquisition of property, plant and equipment		(118)	(33)
Sale of right of use assets		8	16
Acquisition of intangible assets		-	(150)
Capitalised development expenditure		(17)	(371)
Acquisition of investments		-	(5)
Net cash outflow from investing activities		(127)	(543)
Cash flows from financing activities			
Bank loan repaid	7	(250)	(250)
Interest paid on loans and borrowings	7	(18)	(33)
Principal paid on lease liabilities	7	(122)	(138)
Interest paid on lease liabilities	7	(27)	(20)
Other interest and foreign exchange	3	(25)	(44)
Proceeds from exercise of share options		-	7
Purchase of treasury shares		(103)	-
Net cash outflow from financing activities		(545)	(478)
Net increase in cash and cash equivalents		73	1,377
Total movement in cash and cash equivalents in the year		73	1,377
Cash and cash equivalents at 1 January		2,204	827
Cash and cash equivalents at 31 December		2,277	2,204

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 2021 or 31 December 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 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 2022 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 a 3-year overdraft facility of £2.5 million which is available until May 2024. The overdraft facility was not drawn during the year. Interest bearing loans and borrowings, excluding lease liabilities, totalled £0.38 million at the year-end.

The Group has prepared working capital forecasts based on the 2022 budget updated for material known changes since it was prepared and the 2022 management accounts to 31 March 2022. The time period reviewed is to 31 May 2023. At 31 March 2022 the Group had cash balances of £2.2 million and the £2.5 million overdraft facility was 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 30 April 2023. 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:

	2021 £000	2020 £000
United Kingdom	12,162	12,080
Continental Europe	834	837
Rest of World	578	84
	<u>13,574</u>	<u>13,001</u>

The timing of revenue recognition can be analysed as follows:

	2021 £000	2020 £000
Products and services transferred at a point in time	11,370	11,118
Products and services transferred over time	2,204	1,883
	<u>13,574</u>	<u>13,001</u>

3 Finance expenses

	2021 £000	2020 £000
Interest expense on financial liabilities at amortised cost	16	29
Interest expense on lease liabilities	27	20
Other interest payable	20	23
Other exchange loss	5	21
	<u>68</u>	<u>93</u>

4 Taxation

Recognised in the income statement

	2021 £000	2021 £000	2020 £000	2020 £000
<i>Current tax (credit)/expense</i>				
Current tax charge	43		87	
Adjustments in respect of prior years	(532)		(748)	
	<u></u>		<u></u>	
Total current tax		(489)		(661)
<i>Deferred tax (credit)/expense</i>				
Origination and reversal of temporary differences	(90)		(358)	
Utilisation of recognised tax losses	76		13	
Adjustment in respect of prior years	234		412	
Effect of change in rate of corporation tax	(94)		(61)	
	<u></u>		<u></u>	
Total deferred tax		126		6
		<u></u>		<u></u>
Total tax credit in income statement		(363)		(655)

The £532,000 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. The £234,000 deferred tax expense in respect of prior years, predominantly relates to previously recognised losses surrendered for the above R&D tax credits.

The main rate of UK corporation tax, which was 19% for the year, will change to 25% with effect from 1 April 2023. That change was substantively enacted on 24 May 2021 and therefore the effect of this rate reduction has been applied to the deferred tax balances as at 31 December 2021.

Reconciliation of effective tax rate

	2021 £000	2020 £000
Profit/(loss) before tax	502	(1,238)
Tax using the UK corporation tax rate of 19% (2019: 19%)	95	(236)
Non-deductible expenses	9	18
Non-taxable income	(10)	-
Recognition of previously unrecognised tax losses	(65)	(41)
Adjustments in respect of prior years	(298)	(336)
Effect of change in rate of corporation tax	(94)	(61)
Other reconciling items	-	1
Total tax credit	(363)	(655)

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, which exclude treasury shares.

	2021	2020
Earnings		
Profit/(loss) for the year (£000)	865	(583)
Number of shares		
Weighted average number of ordinary shares ('000)	57,441	57,526
Basic earnings/(loss) per share (pence)	1.51	(1.01)

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. In 2020, the share options in issue had an anti-dilutive effect due to the loss in that year.

	2021	2020
Adjusted earnings		
Profit/(loss) for the year (£000)	865	(583)
Number of shares		
Weighted average number of ordinary shares ('000)	58,744	57,526
Diluted earnings/(loss) per share (pence)	1.47	(1.01)

6 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Property, plant and equipment	-	-	(81)	(48)	(81)	(48)
Provisions	6	5	-	-	6	5
Tax value of loss carry-forwards	926	937	-	-	926	937
Intangible fixed assets	-	-	(455)	(372)	(455)	(372)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Tax assets/(liabilities)	932	942	(536)	(420)	396	522
Offset of tax	(536)	(420)	536	420	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tax assets	396	522	-	-	396	522
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Unrecognised deferred tax assets are attributable to the following:

	Assets 2021 £000	Assets 2020 £000
Property, plant and equipment	365	278
Provisions	5	2
Tax value of loss carry-forwards	1,856	1,475
	<hr/>	<hr/>
Tax assets	2,226	1,755
	<hr/>	<hr/>

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

Movement in deferred tax during the year

	1 January 2021 £000	Recognised in income £000	31 December 2021 £000
Property, plant and equipment	(48)	(33)	(81)
Provisions	5	1	6
Tax value of loss carry-forwards	937	(11)	926
Intangible fixed assets	(372)	(83)	(455)
	<hr/>	<hr/>	<hr/>
	522	(126)	396
	<hr/>	<hr/>	<hr/>

Movement in deferred tax during the prior year

	1 January 2020 £000	Recognised in income £000	31 December 2020 £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)	-
	<hr/>	<hr/>	<hr/>
	528	(6)	522
	<hr/>	<hr/>	<hr/>

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.

	2021 £000	2020 £000
Non-current liabilities		
Bank loan	125	375
Lease liabilities	159	274
	<u>284</u>	<u>649</u>
Current liabilities		
Bank loan	250	252
Current portion of lease liabilities	233	124
	<u>483</u>	<u>376</u>

The interest rate on the bank loan is set at The Bank of England bank rate plus 3.25% 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 has available a £2.5 million 3-year CBILS overdraft facility which expires in May 2024, and which was undrawn at 31 December 2021.

Changes in liabilities from financing activities

	Non-current loans and borrowings £000	Current loans and borrowings £000	Lease liabilities £000
Balance at 1 January 2021	375	252	398
<i>Cash items:</i>			
Repayment of bank loan and interest	-	(268)	-
Payment of lease liabilities	-	-	(148)
<i>Non-cash items:</i>			
New lease liabilities	-	-	115
Interest expense	-	16	27
Re-classified from non-current to in year	(250)	250	-
Balance at 31 December 2021	<u>125</u>	<u>250</u>	<u>392</u>
	Non-current loans and borrowings £000	Current loans and borrowings £000	Lease liabilities £000
Balance at 1 January 2020	-	881	471
<i>Cash items:</i>			
Repayment of bank loan and interest	-	(283)	-
Payment of lease liabilities	-	-	(158)
<i>Non-cash items:</i>			
New lease liabilities	-	-	65
Interest expense	-	29	20
Re-classified from current to non-current in year	375	(375)	-
Balance at 31 December 2020	<u>375</u>	<u>252</u>	<u>398</u>

8 Share capital

	At 31 December 2021 Number	At 31 December 2020 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.

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.