9 May 2023

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

Final results for the year ended 31 December 2022

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 2022.

Key Highlights:

- **Financial**
  - Total revenues £10,872,000 (2021: £13,574,000)
  - Gross profit margin increased to 51.0% (2021: 44.9%)
  - Adjusted EBITDA* £1,161,000 (2021: £1,534,000)
  - Operating profit £225,000 (2021: £570,000)
  - Profit after tax £524,000 (2021: £865,000)
  - Continued strong cash generation from operating activities £583,000 (2021: £745,000)
  - Total net funds (cash less debt) £1,677,000 (31 Dec 2021: £1,510,000)
  - Basic EPS 0.93p and diluted EPS 0.91p (2021: basic 1.51p and diluted 1.47p)
- **Operational**
  - Order book at 31 December 2022: £4 million (31 Dec 2021: £7 million)
  - Excellent performance from QRO's ANPR solutions with revenues up 17%
  - Recurring revenues from licencing, maintenance, support, spares, engineering support and similar activities up 11% to around £5 million
  - Gross profit margin benefitted from operational efficiencies and higher recurring revenues
  - New product launches included QRO's QBOX, new eyeBOS and various on-going on-train trials of utilising analytics software

*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 performed well in 2022 generating profits and cash from operations in challenging conditions, particularly in the Rail market. The current financial year has started satisfactorily with the Group continuing to trade cash generatively.

The focus of the Group's business in 2022 was on shorter delivery, lower value but higher margin contracts, due to market conditions in the UK rail market which affected order book levels. A significant proportion of the Group's revenues were derived from such contracts and from our high and growing base of service related revenues, much of which is contracted on a month-to-month basis. These service revenues are expected to continue their increasing trend as the installed base grows.

At 31 December 2022 the order book stood at just over £4 million (31 December 2021: £7 million), most of which is scheduled for delivery in 2023. We are now seeing encouraging signs for new projects, particularly in the new build and retrofit rail rolling stock market, for some of which we are currently in active negotiations.

Management is continuing to drive the Group's development forward, and the Board's objectives for 2023 are for improved results, strong cash generation and to further strengthen the Group's portfolio of businesses."

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 in the second half of 2022 the Group continued to trade profitably on similar levels of revenue as achieved in the first half of the year. While lower than the previous year, profits were in line with market expectations.

Revenues for the year ended 31 December 2022 totalled £10.9 million (2021: £13.6 million), with adjusted EBITDA of £1.16 million (2021: £1.53 million), and profit after tax £0.52 million (2021: £0.86 million). Reduced sales into the rail market led to Group revenues and profits being lower than those achieved in 2021. However, gross profit margins for the year improved to 51% (2021: 44.9%) and were up on the first half of 2022. This reflected the full year effect of efficiencies made in operations as well as a focus on higher margin spares, repairs, and engineering services across the Group.

Net funds (cash less debt including IFRS 16 lease liabilities) at 31 December 2022 increased to £1.68 million (31 December 2021: £1.51 million). Net cash generated from operating activities was £0.58 million (2021: £0.75 million), and after capital expenditure of £0.3 million (2021: £0.12 million) and debt and finance repayments of £0.55 million (2021: £0.55 million), cash balances at 31 December 2022 closed at £2.02 million (31 December 2021: £2.28 million).

The Group’s balance sheet and finances continued to improve with shareholders’ funds up 7% to £8.25 million (31 December 2021: £7.72 million) with 20.3% being held in net funds at the year end (2021: 19.6%).

Market conditions remained much the same for the second half of the year as those I reported in my interim statement last September. In the second half year, strong demand for the Group’s ANPR solutions continued, and since the final quarter of 2022 the UK rail market for our core eyeTrain systems has shown signs of recovery, with significantly higher bid levels than have been seen over the last two years.

The Strategic Report provides details of the performance of the Group’s operations during the year.

The Board

We were delighted to appoint John Wakefield as a second independent non-executive director to the Board post the year end in February 2023. John’s appointment has strengthened the Group’s governance..

Environmental Social Governance (“ESG”)

The Group continues to develop its strategies and targets for ESG activities as well as making some specific progress in certain areas.

Petards will continue to embrace ESG considerations in partnership with all stakeholders including its customers, suppliers, and the communities in which it operates.

Personnel

Petards success is very much due to the individual efforts and contributions of its personnel at all levels. That has been particularly the case in the challenging macroeconomic environment experienced in recent years.

On behalf of the Board and shareholders, I am delighted to express our thanks to them all for their continued support and dedication throughout the year and would also like to take the opportunity to welcome recently joined employees to the Group.

Acquisitions

We are seeing more acquisition opportunities with owners deciding that the time is now right to sell their businesses at valuations that more realistically reflect the current economic environment.

The Board believes that the Company is presently well placed to make the right acquisitions and has some potential targets under review, together with a pipeline of other businesses of interest. I hope to be able to update shareholders on progress made in this area during the course of the coming year.

Outlook

The Group performed well in 2022 generating profits and cash from operations in challenging conditions, particularly in the Rail market. The current financial year has started satisfactorily with the Group continuing to trade cash generatively.

The focus of the Group's business in 2022 was on shorter delivery, lower value but higher margin contracts, due to market conditions in the UK rail market which affected order book levels. A significant proportion of the Group's revenues were derived from such contracts and from our high and growing base of service related revenues, much of which is contracted on a month-to-month basis. These service revenues are expected to continue their increasing trend as the installed base grows.

At 31 December 2022 the order book stood at just over £4 million (31 December 2021: £7 million), most of which is scheduled for delivery in 2023. We are now seeing encouraging signs for new projects, particularly in the new build and retrofit rail rolling stock market, for some of which we are currently in active negotiations.

Management is continuing to drive the Group's development forward, and the Board's objectives for 2023 are for improved results, strong cash generation and to further strengthen the Group's portfolio of businesses.

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

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

Operating review

We were pleased that our strategy to grow recurring revenues from licencing, maintenance, spares and engineering support and similar activities continued to have a positive effect. While total Group revenues were lower than the prior year, overall revenues from these activities grew by 11% in 2022 to over £5 million, accounting for almost half of total Group revenues for the year.

The postponements concerning the transfer of contracts to Great British Railways impacted the wider UK rail market resulting in "maintain and operate" contracts being let by the Department for Transport throughout the year. This affected the acquisition of new clients and orders for both eyeTrain systems and RTS's Ops Suite software. The UK rail market accounts for a significant proportion of the Group's activities and while market conditions remained difficult, we believe Petards is well positioned for growth once the new contracts are in place.

The Group has invested significantly in developing its eyeTrain technologies in recent years and we were pleased that during the year the final delivery of systems and software for the Greater Anglia CL745 and CL755 fleets were achieved. This included the fleet implementation of Petards' on-cloud eyeBos back-office system. This enables operators to access and retrieve video footage and update train software remotely and helps train operators to improve their timetable adherence, while reducing their operating costs.

Our strategy for the eyeTrain portfolio has been, wherever possible, to continue to develop its software in a way that makes enhancements to functionality as cost effective as possible while retaining the proven "core" that has undergone many years operation both in-the-field and on test rigs. This enables customers to benefit from the reliability that comes from a wide installed base operating across different train types and the opportunity to increase functionality of their systems cost effectively to take account of changes in operational circumstances and new technologies.

At InnoTrans in Berlin, the world's leading international trade fair for transport technology, Petards was able to present its development plans to the industry. In partnership with UK rail industry companies and various technology partners, the Group has embarked on several trials using analytics software and Petards eyeTrain systems which we expect will successfully address a number of different safety and operational challenges faced by rail and train operators. We believe Petards is exceptionally well placed, with its large installed UK base of on-train cameras, to provide competitive and cost effective solutions to these challenges.

As referred to above, market conditions restricted RTS in its ambitions to grow its customer base for its software solutions such as Ops Suite and Asset Management Services. However, during the year it secured the renewal of all its existing software licence and maintenance contracts that came up for renewal in the period and was successful in increasing the number of SaaS user licences sold. It also progressed the development of its mobile solution for its existing software offering. Investment was made in the year in both sales and marketing resource and later in the period, product development personnel.

Our Defence activities contributed slightly lower revenues than the prior year, but still made a very good contribution to the overall Group's results.

The Group has a long history as a supplier to the MOD and UK prime defence contractors and it continued to operate as provider of specialist engineering services and value-added reseller to those customers. While the conflict in Ukraine has increased the UK Government's focus on overall defence spending, little benefit has yet to be seen in the volumes of the engineering services we provide.

Alongside its existing offerings, the Group continued to develop opportunities for its own Defence products. Further progress was made during the year in the development of the Group's eyeCraft360 situational awareness system by incorporating enhanced video technology from the eyeTrain portfolio. We expect eyeCraft360 to undergo further trials with the UK MOD and overseas customers during 2023.

The results delivered by our QRO ANPR products were extremely pleasing despite the challenges presented earlier in the year by extremely long lead times on microprocessors used in those systems. Revenues and contribution have grown each year since the QRO brand became part of the Group in 2016 and revenues in 2022 were three times those achieved in the first full year of Petards ownership.

The issue of critical electronic component long lead times was addressed by the decision to design a new dedicated ANPR platform for mobile use, QBOX. This was largely based on a common hardware platform used in the QRO's existing successful NASBOX system. The compact design, cost effectiveness, operational performance and combination with the QRO Android based Instant Alerting Console, allowed a significant number of shipments to be made to UK police forces that might otherwise have been delayed. This new platform accounted for almost 40% of QRO systems revenues in 2022. The success of the product culminated in a presentation by two police forces at the UK National ANPR conference in November attended by key decision makers from all UK police forces, which has led to an increasing number of inquiries.

Building on the success of the QBOX and in response to customer demand, a mobile digital video surveillance product that runs on the QBOX platform has been developed and was launched in March 2023 with a first order for a trial system received that month.

The QRO brand continues to increase market share and QRO has become one of the UK's leading suppliers of ANPR solutions in this field.

In terms of its supply chain, as noted above, the Group has not been immune to the on-going effects of Brexit, Covid-19 and the war in Ukraine on its supply chain and on its business more generally. While global component shortages are easing, management has had to work hard to mitigate the effect these had on delivery timescales.

We have not seen any supply chain or inflationary pressures specific to the Ukrainian conflict and the Group does not have any customers or direct supply chain dependencies in Ukraine. While the situation remains concerning, we are not expecting any specific supply chain inflation attributable to these factors.

However, the general geo-political risk of the Group's supply chain is an area of increased focus for management and action has been taken in terms of both new product development and revenue protection. Management also continues to be proactive in enhancing measures to reduce its exposure to cyber threats.

Financial review

Operating performance

Group revenues decreased to £10,872,000 (2021: £13,574,000), largely as a result of the delays in order placement for new-build and refurbishment train programmes experienced in the transitioning to the new organisational structure and operating model of the UK's railways referred to above. QRO ANPR products and services revenues grew by 17% year-on-year continuing to increase the Group's share of the UK ANPR market.

The increase in overall gross profit margin seen at the half year stage continued into the second half of 2022. All product areas saw their gross profit margins at either similar or increased levels as compared with those in 2021.

Higher levels of recurring, licencing, maintenance and support revenues across all of the Group's activities contributed to higher overall gross profit margin which improved to 51.0% (2021: 44.9%).

The Group did experience some inflationary pressure in its overheads and during the year increased spending on sales and marketing resources and activities, including exhibitions and travel. However, these increases were offset by reducing costs in other areas and administrative expenses reduced by £207,000 to £5,323,000 (2021: £5,530,000).

Earnings before interest, tax, depreciation, amortisation, exceptional items, acquisition costs and share based payment charges ("adjusted EBITDA"), reduced from £1,534,000 in 2021 to £1,161,000 in 2022.

Net financial expenses reduced to £47,000 (2021: £68,000) due to reduced interest cost on lease liabilities and lower interest on the Group's CBILs term loan as that loan reduced through repayments of principal during the year. The loan was interest free for the first year to May 2022, the interest charge has been shown gross and the interest saving of £6,000 shown as other income.

The tax credit of £346,000 (2021: £363,000 credit) comprised net credits of £64,000 in respect of the current year and £280,000 in respect of prior years. The £280,000 prior year credit largely arose from SME R&D reliefs relating to 2021 that were claimed and recognised in 2022. Some of the tax losses arising were able to be surrendered for R&D tax credits totalling £182,000, the cash for which has been received post year-end. Claims for 2022 R&D activities will be made and recognised in 2023. The balance of the 2022 tax credit related mainly to the offset of 2022 profits against previously unrecognised tax losses and from net credits arising between the differential tax rates between current and deferred tax of 19% and 25% respectively.

The overall result for the Group for the year was a profit after tax of £524,000 (2021: £865,000) and represented diluted earnings per share of 0.91p (2021: 1.47p).

Research and development

The Group continued to invest in its internally developed software and hardware solutions. That investment totalled £247,000 in 2022 amounting to 2.3% of revenues (2021: £553,000), of which £164,000 was capitalised (2021: £17,000). The capitalised development costs related to enhanced functionality for the QBOX ANPR system launched in the year and the Group's eyeTrain advanced on-train sensing software and systems.

Cash, cash flow and net debt

The Group again recorded a strong cash generative operating performance with net cash inflows from operating activities totaling £583,000 (2021: £745,000). This was despite working capital increasing by a net £563,000 in the year. This increase was primarily driven by an increase in ANPR related inventories to address lead times and higher trade receivables following strong ANPR system revenues in the last few weeks of the year compared to the prior year.

Capitalised development expenditure and a new IT environment and significant ERP software upgrade accounted for the majority of the £298,000 net cash outflows from investing activities (2021: £127,000). The net financing outflows of £546,000 (2021: £545,000) related to repayments of the 5-year term loan and the principal paid on lease liabilities. At 31 December 2022 the term loan had only two remaining quarterly instalments, totaling £125,000.

At 31 December 2022 the Group's cash and cash equivalents were £2,016,000 (2021: £2,277,000) and net funds at 31 December 2022 were £1,677,000 (2021: £1,510,000) after deducting IFRS 16 lease liabilities of £214,000 (2021: £392,000).

The Group retains a £2.5 million overdraft facility, not due for renewal until May 2024, providing the Group with additional capacity to finance investment as appropriate, although this was not utilised in 2022 or subsequently to date.

Osman Abdullah

Group Chief Executive

Consolidated income statement

for year ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue	*2*	**10,872**	13,574
Cost of sales		**(5,330)**	(7,482)
Gross profit		**5,542**	6,092
Administrative expenses		**(5,323)**	(5,530)
Other income		**6**	8
Adjusted EBITDA*		**1,161**	1,534
Amortisation of intangibles		**(586)**	(603)
Depreciation of property, plant and equipment		**(149)**	(193)
Amortisation of right-of-use assets		**(200)**	(136)
Share based payment charges		**(1)**	(32)
Operating profit		**225**	570
Finance income		**1**	-
Finance expenses	*3*	**(48)**	(68)
Profit before tax		**178**	502
Income tax	*4*	**346**	363
Profit for the year attributable to equity shareholders of the parent		**524**	865
Other comprehensive income		**-**	-
Total comprehensive income for the year		**524**	865
Profit per ordinary share (pence)			
Basic	*5*	**0.93**	1.51
Diluted	*5*	**0.91**	1.47

* 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 2022

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

Consolidated balance sheet

at 31 December 2022

	Note	2022 £000	2021 £000
ASSETS			
Non-current assets			
Property, plant and equipment		**593**	686
Right of use assets		**236**	366
Intangible assets		**3,829**	4,031
Investments in subsidiary undertakings		**5**	5
Deferred tax assets	*6*	**519**	396
		5,182	5,484
Current assets			
Inventories		**1,841**	1,659
Trade and other receivables		**2,502**	1,989
Cash and cash equivalents		**2,016**	2,277
		6,359	5,925
Total assets		**11,541**	11,409
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)**	(103)
Equity reserve		**14**	14
Retained earnings		**6,137**	5,612
Total equity		**8,247**	7,722
Non-current liabilities			
Interest-bearing loans and borrowings	*7*	**105**	284
Current liabilities			
Interest-bearing loans and borrowings	*7*	**234**	483
Trade and other payables		**2,955**	2,920
		3,189	3,403
Total liabilities		**3,294**	3,687
Total equity and liabilities		**11,541**	11,409

Consolidated statement of cash flows

for year ended 31 December 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Profit/(loss) for the year		**524**	865
Adjustments for:			
Depreciation of property, plant and equipment		**149**	193
Amortisation of right of use assets		**200**	136
Amortisation of intangible assets		**586**	603
Profit on disposal of property, plant and equipment		**(15)**	-
Profit on disposal of right of use assets		**-**	(8)
Financial income		**(1)**	-
Financial expenses	*3*	**48**	68
Equity settled share-based payment expenses		**1**	32
Income tax credit	*4*	**(346)**	(363)
Operating cash flows before movement in working capital		**1,146**	1,526
Change in inventories		**(182)**	713
Change in trade and other receivables		**(334)**	641
Change in trade and other payables		**(47)**	(2,596)
Cash generated from operations		**583**	284
Tax received		**-**	**461**
Net cash from operating activities		**583**	**745**
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(61)**	**(118)**
Acquisition of intangible assets		**(93)**	**-**
Sale of right of use assets		**-**	**8**
Sale of property plant and equipment		**20**	**-**
Capitalised development expenditure		**(164)**	**(17)**
Net cash outflow from investing activities		**(298)**	**(127)**
Cash flows from financing activities			
Bank loan repaid		**(250)**	**(250)**
Interest paid on loans and borrowings		**(12)**	**(18)**
Principal paid on lease liabilities		**(248)**	**(122)**
Interest paid on lease liabilities		**(24)**	**(27)**
Other interest and foreign exchange	*3*	**(12)**	**(25)**
Purchase of treasury shares		**-**	**(103)**
Net cash outflow from financing activities		**(546)**	**(545)**
Net increase in cash and cash equivalents		**(261)**	**73**
Total movement in cash and cash equivalents in the year		**(261)**	**73**
Cash and cash equivalents at 1 January		**2,277**	**2,204**
Cash and cash equivalents at 31 December		**2,016**	**2,277**

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 2022 or 31 December 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 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 £0.13 million at the year-end.

The Group has prepared working capital forecasts based on the 2023 budget and 2024 forecast. The time period reviewed is to 31 December 2024. At 31 March 2023 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 2024. 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:

	2022	2021
	£000	£000
United Kingdom	**10,524**	12,162
Continental Europe	**276**	834
Rest of World	**72**	578
	10,872	13,574

The timing of revenue recognition can be analysed as follows:

	2022	2021
	£000	£000
Products and services transferred at a point in time	**6,990**	11,370
Products and services transferred over time	**3,882**	2,204
	10,872	13,574

3 Finance expenses

	2022	2021
	£000	£000
Interest expense on financial liabilities at amortised cost	**6**	16
Interest expense on lease liabilities	**24**	27
Other interest payable	**6**	20
Other exchange loss	**12**	5
Financial expenses	**48**	68

4 Taxation

Recognised in the income statement

	2022	2022	2021	2021
	£000	£000	£000	£000
Current tax (credit)/expense				
Current tax charge	**116**		43	
Adjustments in respect of prior years	**(224)**		(532)	
Total current tax		**(108)**		(489)
Deferred tax (credit)/expense				
Origination and reversal of temporary differences	**(144)**		(90)	
Utilisation of recognised tax losses	**27**		76	
Recognition of tax losses	**(65)**		-	
Adjustment in respect of prior years	**(56)**		234	
Effect of change in rate of corporation tax	**-**		(94)	
Total deferred tax		**(238)**		126
Total tax credit in income statement		**(346)**		(363)

The £224,000 credit to current tax in respect of prior years predominantly relates to enhanced tax deductions for R&D tax claims and losses surrendered for R&D tax credits in respect of prior years. These claims are recognised when receipt is determined to be probable.

Reconciliation of effective tax rate

	2022 £000	2021 £000
Profit before tax	**178**	502
Tax using the UK corporation tax rate of 19% (*2021: 19%)*	**34**	95
Non-deductible expenses	**8**	9
Non-taxable income	**(1)**	(10)
Utilisation of previously unrecognised tax losses	**(64)**	(65)
Adjustments in respect of prior years	**(280)**	(298)
Effect of differential tax rate for deferred tax	**(43)**	-
Effect of change in rate of corporation tax	**-**	(94)
Total tax credit	**(346)**	(363)

Factors that may affect future current and total tax charges

The main rate of UK corporation tax, which was 19% for the year, changed 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 and 31 December 2022.

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.

	2022	2021
Earnings		
Profit for the year (£000)	**524**	865
Number of shares		
Weighted average number of ordinary shares (‘000)	**56,528**	57,441
Basic profit per share (pence)	**0.93**	1.51

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.

	2022	2021
Adjusted earnings		
Profit for the year (£000)	**524**	865
Number of shares		
Weighted average number of ordinary shares (‘000)	**57,830**	58,744
Diluted profit per share (pence)	**0.91**	1.47

6 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2022	2021	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**-**	-	**(66)**	(81)	**(66)**	(81)
Provisions	**7**	6	**-**	-	**7**	6
Tax value of loss carry-forwards	**931**	926	**-**	-	**931**	926
Intangible fixed assets	**-**	-	**(353)**	(455)	**(353)**	(455)
Tax assets/(liabilities)	**938**	932	**(419)**	(536)	**519**	396
Offset of tax	**(419)**	(536)	**419**	536	**-**	-
Net tax assets	**519**	396	**-**	-	**519**	396

Unrecognised deferred tax assets are attributable to the following:

	Assets	Assets
	2022	2021
	£000	£000
Property, plant and equipment	**306**	365
Provisions	**2**	5
Tax value of loss carry-forwards	**1,829**	1,856
Tax assets	**2,137**	2,226

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

Movement in deferred tax during the year

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

Movement in deferred tax during the prior year

	1 January 2021	Recognised in income	31 December 2021
	£000	£000	£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)
	522	(126)	396

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.

	2022 £000	2021 £000
Non-current liabilities		
Bank loan	**-**	125
Lease liabilities	**105**	159
	105	284
Current liabilities		
Bank loan	**125**	250
Current portion of lease liabilities	**109**	233
	234	483

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 2022.

Changes in liabilities from financing activities

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

	Non-current loans and borrowings £000	**Current loans and borrowings £000**	**Lease liabilities £000**
Balance at 1 January 2021	375	252	398
Cash items:			
Repayment of bank loan and interest	-	(268)	-
Payment of lease liabilities	-	-	(148)
Non-cash items:			
New lease liabilities	-	-	115
Interest expense	-	16	27
Re-classified from current to non-current in year	(250)	250	-
Balance at 31 December 2021	125	250	392

8 Share capital

	At 31 December 2022 Number	At 31 December 2021 Number
Number of shares in issue – allotted, called up and fully paid		
Ordinary shares of 1p each	**57,528,229**	57,528,229

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

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

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.