Regulatory Story

Go to market news section

Petards Group PLC - PEG Final Results
Released 07:00 14-Mar-2017

RNS Number : 3411Z
Petards Group PLC
14 March 2017

14 March 2017

PETARDS GROUP PLC

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Petards Group plc ("Petards"), the AIM quoted developer of advanced security and surveillance systems, reports its audited results for the year ended 31 December 2016.

Key points:

- **Financial**
  - Results for 2016
    - Revenues up 17% to £15.3 million (2015: £13.1 million)
    - Gross margin up to 36.3% from 35.2% in 2015
    - EBITDA increased 28% to £1,621,000 (2015: £1,266,000)
    - Operating profit increased 17% to £1,095,000 (2015: £935,000 profit)
    - Profit after tax £910,000 (2015: £765,000 profit)
  - Finance
    - Generated £1 million of operating cash inflows (2015: £1.2 million)
    - Cash at 31 December 2016 £2.3 million (31 Dec 2015: £2.5 million) and no bank debt
    - Basic EPS increased 18% to 2.59p earnings per share (2015: 2.19p)
    - Diluted EPS increased 15% to 1.86p earnings per share (2015: 1.62p per share)
- **Operational**
  - Closing order book £20 million (2015: £16 million)
  - Order book grew by £8 million in the second half of 2016 with orders received from Siemens Mobility, Bombardier Transportation, Greater Western Rail, Hitachi Rail Europe and the MOD
  - Exports increased by 57% to £5.3 million and comprise over one third of Group revenues
  - Acquisition of QRO Solutions successfully completed in April 2016 for net cash consideration of £239,000 contributing £78,000 to EBITDA before acquisition expenses
  - Investment made in
    - Development of *eyeTrain* range particularly focus on software features
    - Expansion of the Group's software development personnel and facilities
- **Outlook**
  - Current order book includes £12 million scheduled for delivery in 2017

Raschid Abdullah, Chairman of Petards, commented:

"In light of the strength of the Group's order book containing orders of £12 million expected to be shipped and taken to revenue during 2017, and on-going discussions with both new and existing customers for further exciting projects, the board remains confident about the future prospects of the Group for 2017."

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, Ed Allsopp	Tel: 0117 945 3470
Hybridan LLP, Joint Broker	www.hybridan.com
Claire Louise Noyce	Tel: 020 3764 2341

Chairman's statement

I am very pleased to report to you that the Group has made good progress during 2016 and achieved many of the operational improvements set out in my last annual statement.

Petards produced another creditable performance for the year ended 31 December 2016 with the Group trading strongly, the order book growing following the receipt of several significant new contracts, the acquisition of QRO Solutions ("QRO") being completed, and additional core investment made to strengthen our software operational capabilities and *eyeTrain* range of products.

With revenues up to £15.3 million and gross margins up slightly to 36%, the Group recorded pre-tax profits of £925,000 against £762,000 for the previous year representing a 21% increase. Revenues from continuing operations increased by 8% reflecting additional deliveries of *eyeTrain* products and up overall by 17% including a maiden contribution from QRO. Basic earnings per share improved by 18% to 2.6p with fully diluted earnings per share increasing to 1.9p against 1.6p in 2015.

The trend of the changing revenue mix towards the Group's *eyeTrain* products reported in 2015 continued and these now comprise around 60% of Group revenues. This strong performance coupled with reduced levels of revenue from our defence products means that for the first time the Group's largest customer was from the rail industry rather than the defence sector.

The cash-generative nature of the business continued with the Group delivering an operating cash inflow of £1 million for the year. This was ploughed back into the business with significant investments being made in growing the Group's software capabilities, people and dedicated testing facilities, in addition to the acquisition of QRO. Consequently, cash balances at 31 December 2016 remained healthy at £2.3 million albeit marginally lower than the closing balance of £2.5 million at 31 December 2015.

These investments flow on from those made in the latter half of 2015 which were approved by the Board last year in order to place the business in a stronger market position with the integration of improved technologies. A key part of this strategy covered the expansion of our product range and enhancing the performance of our systems in order to support our existing business relationships and provide growth in our customer base.

In the second half of 2016 the forward order book grew substantially following receipt of a number of larger contracts totalling over £13 million that were predominantly for *eyeTrain* systems. Orders from Bombardier Transportation were followed by awards from Great Western Railway, Hitachi Rail Europe, Siemens Mobility and the MOD in the final quarter of the year. Consequently the Group entered 2017 with an order book of £20 million being 23% up on the prior year, of which broadly £12 million is expected to be taken to revenue during 2017.

Following the orders referred to above, around 75% of the closing order book related to *eyeTrain*. These include projects that once completed will result in a substantial increase in software driven functionality of *eyeTrain* systems that will provide significant benefits to train operating companies. With increasing passenger numbers and capacity constraints, operators are continually looking for opportunities to increase both capacity and operating efficiency. We are hopeful this additional *eyeTrain* functionality will prove to be another differentiator for Petards in that market.

The acquisition of QRO in April for a net cash consideration of £239,000, complements the Group's existing presence in the Emergency Services sector which it serves through its *ProVida* brand and is now able to support a broader offering to the police and security market. This includes 'end-to-end' fixed site, mobile, re-deployable and hand-held ANPR solutions utilising QRO's longstanding integration expertise and back office management software skills. QRO made a maiden contribution to Group EBITDA of £78,000 for the period and the board anticipates that this contribution will grow steadily as it develops its markets and products with the support of the Group.

The profitable and cash-generative trading record of the past three years, a good balance sheet and healthy order book provides a good foundation on which to continue to develop the Group both organically and by acquisition. The board continues to evaluate potential acquisitions which could serve to expand the business and enhance value for shareholders.

The year was particularly demanding for all of our employees with substantial new business being won, the expansion of our facilities and the increase and integration of new staff into our Gateshead operation. I also welcome the addition of all employees at QRO to the Group and look forward to working with them.

The Group's performance during the year is the result and achievement of all our employees and I would therefore like to express my sincere thanks on behalf of the board and all stakeholders for their excellent contribution during 2016. Their effort and commitment is much appreciated and is a key determinant for the future success of the Group.

In light of the strength of the Group's order book containing orders of £12 million expected to be shipped and taken to revenue during 2017, and on-going discussions with both new and existing customers for further exciting projects, the board remains confident about the future prospects of the Group for 2017.

Raschid Abdullah
Chairman

14 March 2017

Business review

Following the QRO acquisition the Group's operations continue to be focused upon the development, supply and maintenance of technologies used in advanced security, surveillance and ruggedized electronic applications, the main markets for which are:

- Rail Transport - software driven video and other sensing systems for on-train applications sold under the *eyeTrain* brand to global train builders, integrators and rail operators;
- Emergency Services - in-car speed enforcement and end-to-end Automatic Number Plate Recognition ("ANPR") systems sold under the *ProVida* and QRO brands to UK and overseas law enforcement agencies; and
- Defence - electronic countermeasure protection systems, mobile radio systems and related engineering services sold predominantly to the UK Ministry of Defence ("MOD").

The Group continued to make further progress during 2016, increasing revenues, margins and profitability while significantly growing its order book by securing a variety of orders from its blue-chip and international customer base.

Operating review

While the Group's Defence and Emergency Services products made important contributions to revenues and profits during 2016, the success of the year was the continued growth in revenues for its *eyeTrain* systems which increased significantly. This increase was achieved across a number of projects amongst which were Thameslink, South West Trains and Turkey for the train builder Siemens Mobility ("Siemens"). Deliveries on the Thameslink project, which is the largest rail order secured by the Group to date, **r**eached their peak during 2016 and are scheduled to be completed by the end of 2017.

In addition to Siemens, other significant projects included those for Bombardier Transportation ("Bombardier"), Great Western Railway ("GWR") and Hitachi Rail Europe ("Hitachi").

Over recent years the Group's strategy of moving its primary focus in the rail industry towards being a supplier to major new train builders, rather than to the train retro-fit and refurbishment market, has borne fruit. While this segment of the market has a longer sales and order execution cycle, the result has been a larger order book which greatly enhances the forward visibility of revenues. This enables the Group to plan and invest more effectively and with greater certainty and the investments made in 2016 in product, people and facilities have been made against that backdrop.

In the second half of 2016 the Group secured a number of major projects from existing rail customers. These comprised a good mix of extensions to existing orders, new projects for classes of train for which *eyeTrain* was already specified, new train designs onto which *eyeTrain* is to be integrated for the first time, and finally projects involving the design, development and supply of new *eyeTrain* applications. The latter two of these four categories of order are particularly encouraging as they represent the growth opportunities of the future.

The number of major train builders across the world is relatively small and Petards already lists a good number of these amongst its customers. Nevertheless, the Group is keen to expand its customer base and efforts to do so will continue in 2017. There are presently a number of significant sales opportunities being worked upon, including with new customers, that we anticipate will result in orders being placed with Petards over the coming year.

Orders and revenues for Petards' defence related products and services are driven both by the operational activities of the UK's armed forces and by periodic upgrades to equipment. Revenues for these products and services comprise a core of business in respect of on-going support supplemented by orders for large projects. While these large projects may arise from either urgent operational requirements ("UORs") or the on-going development of the MOD's capabilities, in times such as these when the UK's armed forces are not deployed on active combat, orders for Petards' products relating to UORs reduce accordingly. Therefore as expected 2016 saw a reduction in the level of business in this area and we presently anticipate a similar situation in 2017.

During the year the £4.5 million contract to modify electronic countermeasures equipment fitted to aircraft within the MOD's fleet, that had been on-going since mid-2014, was successfully completed to schedule and budget, albeit that its contribution to revenues was, as expected, some £2.25 million lower than in 2015. Petards also secured a £0.8 million contract from the MOD for the supply of radio equipment and support services, which was delivered in the first half of the year. Towards the end of the year the MOD also renewed for a further three years the Group's contract to support ALE 47 and M147 threat adaptive countermeasures dispensing systems which are fitted to Lynx, Puma, Chinook, Merlin, and C130J aircraft. The core element of the contract is worth in excess of £1.6 million over the three year term. However the Group expects the value to be significantly higher than this reflecting additional engineering, repair, refurbishment and manufacturing activities likely to be provided within the frame of the contract. The MOD also has the option to extend the contract for a further two years until 31 December 2021.

As previously reported, revenues for our *ProVida* products in 2015 benefitted from a large spares order from an export customer. While 2016 revenues were lower than 2015, increased order activity from other customers meant that, excluding the impact of the above spares order, they were ahead of those achieved in 2015.

Petards has operated within the speed enforcement and ANPR markets for many years and the board has always considered this to be an interesting sector with scope for the Group to expand its presence. Therefore it was pleasing to go some way in achieving this through the acquisition of QRO in April. While QRO's contribution during the year was relatively modest, it was in line with the board's expectations and was net of some costs instigated by QRO's management to better position the business for the future.

QRO was established over 15 years ago providing end-to-end ANPR security and speed enforcement solutions to UK police forces and to integrators serving the police and security markets. As well as enhancing the Group's product and service offering to those markets, a feature of QRO's business that did not previously exist in Petards' portfolio is its strong service-based operation generating recurring revenues through customer support contracts.

Closing 2016 with an order book of £20 million that was up 23% on the previous year, the Group has good visibility of earnings for 2017. £12 million of that order book is scheduled for delivery in 2017 and its composition is a demonstration of the progress made by the Group in its move from reliance upon orders that are one-off in their nature to those arising from the its products being specified on new build projects.

Financial review

Operating performance

Revenues for the year increased by 17% to £15.3 million over the same period in 2015 (2015: £13.1 million) with exports comprising over a third of the total, up 57% to £5.3 million (2015: £3.4 million). Much of the increase in exports related to shipments to Siemens in Germany. Total revenues included £1.2 million from QRO relating to the 8½ month period following its acquisition by the Group. Revenues excluding QRO were up 8%, with increased revenues from rail products more than offsetting lower defence product revenues following the completion of the electronic countermeasures equipment modification contract for the MOD.

Gross margins in the second half of 2016 showed a slight improvement over those achieved in both the first half and for 2015 as a whole. Margins for 2016 increased to 36.3% (2015: 35.2%) as a result of both a better performance from continuing operations and from the effect of the QRO acquisition.

Earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payment charges ("EBITDA") increased to £1,621,000, an increase over 2015 of 28% (2015: £1,266,000). Operating profits increased by 17% to £1,095,000 (2015: £935,000).

Underlying administrative expenses, before the effects of both the overheads relating to QRO and charges for depreciation and amortisation of development costs, increased 6% to £3.5 million (2015: £3.3 million). After taking those items into account, reported administrative expenses totalled £4.5 million (2015: £3.7 million). Net financial expenses remained similar to those of the prior year at £170,000 (2015: £173,000).

Due to the availability of unrecognised brought forward tax losses and research and development tax credits, the Group incurred only a small tax charge of £15,000 (2015: £3,000 tax credit). Profit after tax increased by 19% to £910,000 (2015: £765,000) giving rise to a similar increase in basic earnings per share to 2.59p (2015: 2.19p). Fully diluted earnings per share increased 15% to 1.86p (2015: 1.62p).

These retained profits resulted in a further bolstering of the balance sheet with total equity at 31 December 2016 increasing to £4.2 million (31 December 2015: £3.2 million).

Acquisition

QRO was acquired on 13 April 2016 for a cash consideration of £1,115,000 although the net cash consideration was only £239,000 as the assets acquired include cash balances of £876,000. Post-acquisition QRO contributed revenues of £1.2 million, an EBITDA before acquisition costs of £78,000 and an operating profit £41,000 (after charging depreciation and amortisation for acquired customer and technology related intangibles).

Research and development

Following a year of relatively light investment, in 2016 the Group increased its investment in product development. This investment totalled £785,000 (2015: £283,000) of which £645,000 was capitalised (2015: £66,000). The capitalised costs relate to the Group's *eyeTrain* products. It remains that the Group is committed to developing its products and services to maintain and grow its market position and service its customers.

Cash and cash flow

The Group's financial position remains robust and at 31 December 2016 it held cash of £2.3 million, no bank debt and had convertible loan notes maturing in September 2018 of £1.5 million (2015: £2.5 million cash, no bank debt and loan notes of £1.5 million).

Cash flows from operating activities were £998,000 (2015: £1,174,000) reflecting the strong operating performance in the year and net cash receipts of £210,000 in connection with research and development tax credits, offset by an increase in working capital of £643,000.

Osman Abdullah
Chief Executive

Consolidated Income Statement

for year ended 31 December 2016

	Note	2016 £000	2015 £000
Revenue			
Continuing		**14,062**	13,072
Acquisitions		**1,249**	-
Total	2	**15,311**	13,072
Cost of sales		**(9,748)**	(8,473)
Gross profit		**5,563**	4,599
Administrative expenses		**(4,468)**	(3,664)
EBITDA			
Earnings before financial income and expense, tax, depreciation, amortisation, acquisition costs and share based payments		**1,621**	1,266
Amortisation of intangibles		**(335)**	(267)
Depreciation		**(107)**	(58)
Exceptional Item: Acquisition costs		**(57)**	-
Share based payment charges		**(27)**	(6)
Operating profit			
Continuing		**1,111**	935
Acquisitions		**41**	-
Exceptional acquisition costs		**(57)**	-
Operating profit		**1,095**	935
Financial income	3	**4**	3
Financial expenses	3	**(174)**	(176)
Profit before tax		**925**	762
Income tax	4	**(15)**	3
Profit for the year attributable to equity shareholders of the parent		**910**	765
Earnings per share (pence)	8		
Basic		**2.59**	2.19
Diluted		**1.86**	1.62

Consolidated Statement of Comprehensive Income

for year ended 31 December 2016

	2016 £000	2015 £000
Profit for the year	**910**	765
Other comprehensive income		
Items that may be reclassified to profit:		
Currency translation on foreign currency net investments	-	-
Total comprehensive income for the year	**910**	765

Statement of Changes in Equity

for year ended 31 December 2016

	Share capital £000	Share premium £000	Merger reserve £000	Equity reserve £000	Special reserve £000	Retained earnings £000	Currency translation differences £000	Total equity £000
At 1 January 2015	6,651	25,192	1,075	204	-	(30,510)	(211)	2,401
Profit for the year	-	-	-	-	-	765	-	765
Total comprehensive income	-	-	-	-	-	765	-	765
Equity-settled share based payments	-	-	-	-	-	6	-	6
Conversion of convertible loan notes	1	14	-	(1)	-	-	-	14
Capital reduction	(6,303)	(25,192)	(1,075)	-	8	32,562	-	-
At 31 December 2015	349	14	-	203	8	2,823	(211)	3,186
At 1 January 2016	349	14	-	203	8	2,823	(211)	3,186
Profit for the year	-	-	-	-	-	910	-	910
Total comprehensive income	-	-	-	-	-	910	-	910
Equity-settled share based payments	-	-	-	-	-	27	-	27
Arising on payment of non-consenting creditors	-	-	-	-	(8)	8	-	-
Conversion of convertible loan notes	8	54	-	(3)	-	-	-	59
At 31 December 2016	**357**	**68**	**-**	**200**	**-**	**3,768**	**(211)**	**4,182**

Consolidated Balance Sheet

at 31 December 2016

	Note	2016	2015
		£000	£000
ASSETS			
Non-current assets			
Property, plant and equipment		**456**	247
Goodwill		**707**	401
Other intangible assets		**1,285**	902
Deferred tax assets		**364**	429
		2,812	1,979
Current assets			
Inventories		**1,953**	2,168
Trade and other receivables		**2,398**	1,861
Cash and cash equivalents		**2,322**	2,478
		6,673	6,507
Total assets		**9,485**	8,486
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	*7*	**357**	349
Share premium		**68**	14
Equity reserve		**200**	203
Special reserve		**-**	8
Currency translation reserve		**(211)**	(211)
Retained earnings		**3,768**	2,823
Total equity		**4,182**	3,186
Non-current liabilities			
Interest-bearing loans and borrowings	*5*	**1,540**	1,543
		1,540	1,543
Current liabilities			
Interest-bearing loans and borrowings		**7**	
Other trade and other payables		**3,756**	3,757
		3,763	3,757
Total liabilities		**5,303**	5,300
Total equity and liabilities		**9,485**	8,486

Consolidated Statement of Cash Flows

for year ended 31 December 2016

	Note	2016	2015
		£000	£000
Cash flows from operating activities			
Profit for the year		**910**	765
Adjustments for:			
Depreciation		**107**	58

Amortisation of intangible assets		**335**	267
Financial income	*3*	**(4)**	(3)
Financial expense	*3*	**174**	176
Equity settled share-based payment expenses		**27**	6
Income tax charge/(credit)		**15**	(3)
Operating cash flows before movement in working capital		**1,564**	1,266
Change in trade and other receivables		**(224)**	1,138
Change in inventories		**241**	(729)
Change in trade and other payables		**(660)**	(195)
Cash generated from operations		**921**	1,480
Interest received		**4**	3
Interest paid		**(137)**	(146)
Tax received/(paid)		**210**	(163)
Net cash from operating activities		**998**	1,174
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(266)**	(118)
Capitalised development expenditure		**(645)**	(66)
Acquisition of subsidiary	*6*	**(239)**	-
Cash deposits held in escrow		**-**	54
Net cash outflow from investing activities		**(1,150)**	(130)
Cash flows from financing activities			
Finance lease repayments		**(4)**	-
Net cash outflow from financing activities		**(4)**	-
Net (decrease)/increase in cash and cash equivalents in the year		**(156)**	1,044
Cash and cash equivalents at 1 January		**2,478**	1,434
Cash and cash equivalents at 31 December		**2,322**	2,478

1 Basis of preparation and status of financial information

The financial information set out in this statement has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU ("adopted 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 2016 or 31 December 2015 but is derived from those accounts. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2016 will be delivered in due course. The auditor has reported on those accounts; his reports were (i) 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.

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 to allocate resources.

The Board of Directors 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 and therefore the directors consider the Group to have only one segment in terms of products and services, being the development, supply and maintenance of technologies used in advanced security, surveillance and ruggedised electronic applications.

As the Board receives revenue, EBITDA and operating profit on the same basis as set out in the Consolidated Income Statement no further reconciliation is considered to be necessary.

Revenue by geographical destination can be analysed as follows:

	2016	2015
	£000	£000
United Kingdom	**9,990**	9,684
Continental Europe	**4,929**	2,552
Rest of World	**392**	836
Rest of World	**15,311**	13,072

Included in the above amounts are revenues of £8,178,000 (2015: £8,192,000) in respect of construction contracts. The balance comprises revenue from sales of goods and services.

3 Financial income and expense

	2016	2015
	£000	£000
Recognised in profit or loss		
Interest on bank deposits	**4**	3
Financial income	**4**	3
	£000	£000
Interest expense on financial liabilities at amortised cost	**159**	151
Net foreign exchange loss	**15**	25
Financial expenses	**174**	176

4 Taxation

Recognised in the income statement

		2016		2015
	£000	**£000**	£000	£000
Current tax (credit)/expense				
Adjustments in respect of prior years	**(41)**		10	
Total current tax		**(41)**		10
Deferred tax expense/(credit)				
Origination and reversal of temporary differences	**17**		(1)	
Recognition of previously unrecognised tax losses	**(51)**		(43)	
Utilisation of recognised tax losses	**192**		170	
Adjustment in respect of prior years	**(102)**		(179)	
Tax rate change	**-**		40	
Total deferred tax		**56**		(13)
Total tax charge/(credit) in income statement		**15**		(3)

Reconciliation of effective tax rate

	2016	2015
	£000	£000
Profit before tax	**925**	762
Tax using the UK corporation tax rate of 20% (*2015: 20.25%)*	**185**	154
Non-deductible expenses	**54**	44
Fixed asset differences	**2**	2
Utilisation of tax losses	**(26)**	(25)
Effect of tax losses generated in year not provided for in deferred tax	**-**	15
Recognition of previously unrecognised tax losses	**(38)**	(21)
Change in unrecognised temporary differences	**(2)**	(43)
Adjustments in respect of prior years	**(143)**	(169)
Effect of rate change	**(17)**	40
Total tax charge/(credit)	**15**	(3)

5 Interest-bearing loans and borrowings

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

	2016	2015
	£000	£000
Non-current liabilities		
Convertible loan notes	**1,521**	1,543
Finance lease liabilities	**19**	-
	1,540	1,543

The convertible loan notes of £1 each, carry a fixed interest rate of 7% per annum and are convertible into ordinary shares of 1p each at any time prior to maturity. The conversion price is 8p as compared to the market price at 31 December 2016 of 27.38p. Interest is paid quarterly and the loan notes mature on 10 September 2018.

At 31 December 2016 the nominal value of the outstanding loan notes was £1,579,909 (2015: £1,641,711).

6 Acquisition

On 13 April 2016, the Group acquired the entire issued share capital of QRO Solutions Limited ("QRO"). QRO provides 'end-to-end' ANPR, security and speed enforcement solutions to UK police forces and to integrators serving the police and security markets. Its systems integration expertise enables it to offer fixed site, mobile, re-deployable and hand-held ANPR systems which can be integrated into its own back office management suite of software; Check-IT ANPR, Check-IT CSGS, Check-IT Handheld and Multimedia Vault. It comes to the Group with a strong service based operation, well established in its field, profitable, cash generative with recurring revenues and complements Petards' existing Emergency Services *ProVida* brand.

Internal cash resources funded the purchase consideration of £1,115,000**.** At the time of acquisition, QRO's balance sheet included net cash balances of £876,000. No contingent consideration was payable resulting in a net cash consideration for the acquisition of £239,000.

In the period to 31 December 2016, QRO contributed revenue of £1,249,000 and operating profit of £41,000 to the Group's results.

The acquisition had the following effect on the Group's assets and liabilities at the acquisition date:

	Pre-acquisition carrying amount	Fair value adjustments	Recognised value on acquisition
	£'000	£'000	£'000
Net assets acquired			
Intangible assets			
Technology assets	-	41	41

Customer order book	-	32	32
Property, plant & equipment	50	-	50
Inventories	26	-	26
Trade and other receivables	333	-	333
Hire purchase contract obligations	(30)	-	(30)
Trade and other payables	(537)	(4)	(541)
Income tax (payable)/receivable	(20)	51	31
Deferred tax	(9)	-	(9)
Net identified assets and liabilities	(187)	120	(67)
Goodwill on acquisition			306
Total cash consideration			239
Cash flow			
Consideration paid in cash			1,115
Cash acquired			(876)
Net cash flow			239

Pre-acquisition carrying amounts were determined based on applicable IFRSs, immediately prior to the acquisition. The values of assets and liabilities recognised on acquisition are the estimated fair values. The goodwill arising on acquisition can be attributed to a multitude of assets that cannot be readily separately identified for the purposes of fair value accounting.

The Group incurred acquisition related costs of £57,000 that are included within administrative expenses.

7 Share capital

	At 31 December 2016 No.	At 31 December 2015 No.
Number of shares in issue - allotted, called up and fully paid		
Ordinary shares of 1p each	**35,707,101**	34,934,579
	£000	£000
Value of shares in issue - allotted, called up and fully paid		
Ordinary shares of 1p each	**357**	349

The Company's issued share capital comprises 35,707,101 ordinary shares of 1p each all of which have equal voting rights.

During the year the Company issued 772,522 ordinary 1p shares following conversion of £61,802 convertible loan notes at a conversion price of 8p each.

8 Earnings per share

Basic earnings per share

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

	2016	2015
	£000	£000
Earnings		
Profit for the year	**910**	765
	'000	'000
Number of shares		
Weighted average number of ordinary shares	**35,199**	34,858
Basic earnings per share (pence)	**2.59**	2.19

Diluted earnings per share

Diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, which arise from both convertible loan notes and share options, 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. The adjusted profit for the year comprises the profit for the year attributable to the shareholders after adding back the interest on convertible loan notes of £150,000 for 2016 (2015: £150,000).

	2016	2015
	£000	£000
Adjusted earnings		
Profit for the year	**1,060**	915
	'000	'000
Number of shares		
Weighted average number of ordinary shares	**56,881**	56,268
Diluted earnings per share (pence)	**1.86**	1.62

This information is provided by RNS
The company news service from the London Stock Exchange

END

FR JJMBTMBABTMR

sults - RNS