# Annual report and financial statements
31 December 2024

# Petards Group plc

Registered number 2990100

petards

Group plc

# Introduction

Following its acquisition during 2024 of Affini, Petards' operations are now focused upon the development, supply and maintenance of technologies used in advanced security, communications, surveillance and ruggedised electronic applications, the principal 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 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;
- *Defence* – engineering services relating to electronic control systems, threat simulation systems, radio systems, and other defence related equipment sold predominantly to the UK Ministry of Defence ("MOD") both directly and via its prime defence contractors; and
- *Communications* – critical communications and wireless technologies systems integrator serving the transport, blue light, energy, central government and construction sectors, offering an end-to-end service from initial strategy and design, through to equipment supply, providing ongoing maintenance and managed services.

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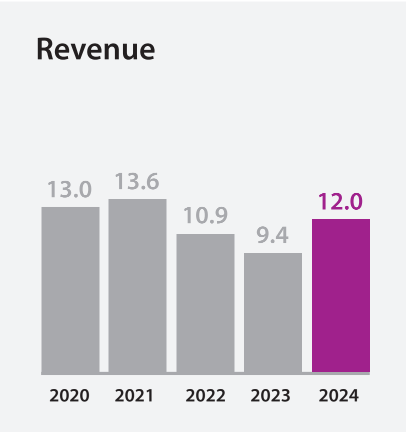
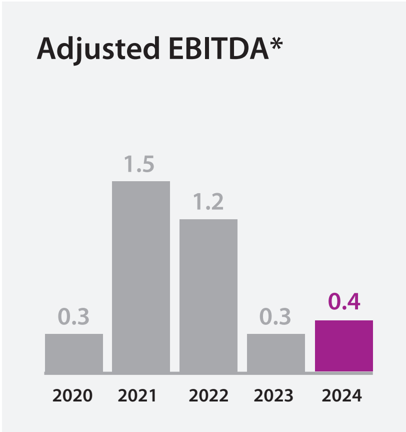
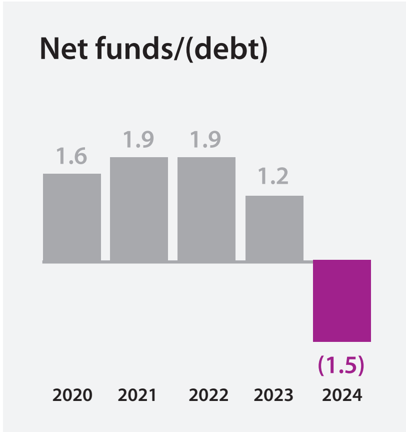
# Financial and operational highlights




| | 2024<br>£000 | 2023<br>£000 |
|---|---|---|
| **Revenue** | **12,016** | 9,424 |
| **Adjusted EBITDA*** | **410** | 340 |
| **Loss after taxation** | **(1,127)** | (1,050) |
| **Net cash from operating activities** | **194** | 4 |
| **Net funds/(debt)*[1]** | **(1,535)** | 1,241 |
| **Net assets** | **6,396** | 7,197 |

[1] Net debt at 31 December 2024 is stated after payment of the cash consideration and acquisition costs for Affini Technology Group Ltd.

* See Alternative Performance Measures Glossary on page 70.

# Chairman’s statement

**Introduction**

I am pleased to report that 2024 was a year of progress for the Group, the highlights of which were the acquisition of Affini Technology (“Affini”) in June 2024, which has bedded in well, and strong revenues for our QRO ANPR solutions.

The second half of the year saw an improved overall performance for the Group, benefiting from six month’s contribution from Affini, and some improvement in trading at the Group’s existing operations.

Revenues for the full year ended 31 December 2024 were £12.02 million (2023: £9.42 million), giving an adjusted EBITDA of £0.41 million (2023: £0.34 million).

Our QRO ANPR solutions for the Traffic sector continue to be the leading contributor to Group profitability with their profit contribution up ten per cent on the prior year. Throughout the year we continued to develop new products to enhance our market position, and in Q4 we laid the foundations for future growth in other geographic markets by appointing an experienced ANPR international business development manager. Since then we have exhibited at ANPR exhibitions in Dubai, Seville and Mexico City and will be exhibiting at Highways KSA in Riyadh in October. We look forward to seeing the results of these initiatives beginning to come through later in 2025.

Petards eyeTrain rail solutions continued to operate in a difficult market with a particular slowness in the placement of orders by customers. The strength of our considerable installed base of passenger rail vehicles continued to provide a strong ongoing flow of service, spares and repairs business as well as opportunities for system upgrades.

Although overall revenues were lower than the prior year, we made good progress in closing out past contracts and releasing cash retentions of £0.45 million of which £0.26 million was received in the year. We also continued to advance both our core eyeTrain technology extending its functionality, and our eyeBOS back office software, designed to assist train operators manage their fleets more efficiently by harmonising all data sets into a user friendly portal.

The transition of the Railways from private to public ownership under GB Rail has been a source of uncertainty for UK rail industry suppliers for some considerable time. During 2025 a further three train operating companies (“TOCs”) are to be nationalised increasing the number in public ownership to seven. We hope that the removal of the uncertainty arising when TOCs are nearing the end of their franchises will provide them with greater certainty when making investment decisions concerning rolling stock upgrades.

Revenues from Petards’ defence services were also down on 2023, while making a positive contribution. During the second half of the year we saw increased engagement with the Ministry of Defence (“MOD”) and its prime contractors on new projects for certain systems, for which Petards is an existing supplier. Post year end we have received initial orders relating to one of these projects, giving us some encouragement that orders for the more substantial aspects will be placed later this year.

The business has also started getting traction on its efforts to win work in related sectors that utilise its facilities and capabilities in electronic engineering for repair and test. We anticipate that some benefits of this will be forthcoming in the second half of 2025.

Our specialist RTS software focused on rail asset management, logistics, planning, and business process application continued to be a steady performer and we believe there is the potential for those applications to have broader penetration within the sub-sector. During 2024 its contribution increased on slightly lower revenues as we saw the benefits of a lower cost base coming through, following the reorganisation undertaken in the latter part of 2023.

**Environmental Social Governance (ESG)**

The Board continues to implement ESG ideals and objectives in a manner which is appropriate to the Group’s size and scale. As Petards develops, the Board will continue to assess and adapt its approach and, where appropriate, make changes in a proportionate and commercial manner.

**Personnel**

Every business depends upon the quality of its management and their respective teams, and the Board believes that across the Group, its current management and personnel demonstrate the required skills, experience, enthusiasm and commitment at all levels to drive the Group forward.

Petards' pool of skill and experience was enhanced with the acquisition of Affini, and we are very pleased to welcome Ian Carr, Affini's CEO, and his team to the Petards Group and look forward to working together to develop Affini to its full potential.

On behalf of the Board, I would like to express our thanks to all Petards' management and employees for their contributions and loyalty, and for their support during what proved to be a challenging year.

**The Board**

Following the year end, after serving as a director for ten years, Paul Negus stepped down from the Board and we thank him for his contribution to the business during his tenure and wish him every success in his future endeavours.

**Acquisitions**

In the year we made excellent progress towards delivering on the Group's acquisition strategy and were pleased to have acquired Affini on 13 June 2024. We will continue to pursue other complementary cash generative businesses which would be earnings enhancing and increase the scale of the Group.

Since April 2016 the Group has made three acquisitions, QRO, RTS and Affini, as well as the rights to NASBox ANPR which has made a good contribution to the growth of our Traffic revenues. All these acquisitions continue to make positive contributions to the Group's results.

Each has been funded from the Group's own cash and debt resources, except for Affini, where the vendors elected to receive 6.8 per cent. of Petards' enlarged issued equity valued at £326,000 out of the total consideration of £2.85 million, with the balance being paid in cash from a combination of the Group's cash resources and bank debt.

**Outlook**

2025 has started positively with trading in the first five months of the year in line with budget and we expect trading for the first half of the year to be well ahead of that reported in the first half of 2024.

The Group's current pipeline of new business remains strong, although in Rail and Defence markets we are still experiencing later than expected placement of orders by customers. Those delays are not presently expected to impact the overall trading performance for 2025 as a whole.

With an opening order book of £7.1 million (31 December 2023: £2.4 million), together with the orders received in the first five months of 2025, revenue cover for 2025 has increased to around 75 per cent.

In view of the Group's significantly improved opening order book and a full year's contribution from Affini, the Board is confident in the enlarged Group's prospects and anticipates an improved trading performance for 2025.

**Raschid Abdullah**
Chairman

20 June 2025

# Strategic report

# Business review

Following its acquisition during 2024 of Affini, Petards' operations are now focused upon the development, supply and maintenance of technologies used in advanced security, communications, surveillance and ruggedised electronic applications, the principal 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 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;
- *Defence* – engineering services relating to electronic control systems, threat simulation systems, radio systems, and other defence related equipment sold predominantly to the UK Ministry of Defence ("MOD") both directly and via its prime defence contractors; and
- *Communications* – critical communications and wireless technologies systems integrator serving the transport, blue light, energy, central government and construction sectors, offering an end-to-end service from initial strategy and design, through to equipment supply, providing ongoing maintenance and managed services.

Our objective is to develop and grow our business on a sustainable basis through increasing profitability and free cash flow predominantly for re-investment throughout the Group and 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

While difficult trading for the Group's eyeTrain and Defence services affected the Group's profitability, one of the highlights of the year was the completion of the acquisition of Affini, and the Group benefited from its contribution during the second half year.

Affini is a UK-based systems integrator specialising in critical communications and wireless technologies, providing a comprehensive range of solutions and services, spanning initial strategy and design, to equipment supply and provision of ongoing maintenance and managed services. Its core services revolve around delivering robust and reliable communication infrastructures in sectors including airports, rail, bus, nuclear energy, defence, construction and central government, providing:

- Radio and wireless solutions encompassing professional mobile radio (PMR), ground-to-air communications, distributed antenna systems (DAS), microwave backhaul, Wi-Fi, 4G LTE, and 5G.
- Mission critical communications ensuring high reliability and performance in demanding environments.
- End-to-end managed service solutions for radio, telematics, and wireless communications, such as full infrastructure and device management.
- Consultancy services to help customers identify, test, and implement improvements in their communication systems and business performance.
- Maintenance services supported by a nationwide team of engineers to ensure communication infrastructures and end-user devices remain available 24/7.
- Technology solutions including the telematics platform, Afftel, for monitoring vehicle/asset data, the Radius platform supporting voice mission critical voice communications over cellular networks, as well as bodycams and lone worker solutions.

Affini's acquisition has a clear fit with the Group's strategy and represents a further step in building the Group's target markets, adding new capabilities and services to the Group's product portfolio. It also provides a strong recurring revenue stream with circa 50 per cent. of its revenues relating to recurring maintenance and managed services. It made a good contribution to the Group's results in the second half of the year.

One of the areas of management focus has been on increasing the Group's recurring revenues, and we were pleased that, in 2024 income from service and engineering support, spares, repairs and managed services comprised in excess of 50 per cent. of total revenues.

We were also delighted with both the sales of our QRO solutions, which yielded revenues and margin ahead of the previous year, and of customers' reception to our Harrier AI ANPR camera system launched in December 2023, with over 280 systems being delivered during 2024. Following on from the success of Harrier AI, we developed the QRO Harrier Mini, an AI-powered ANPR camera system for mobile and fixed roadside applications and, following its launch, first orders have been received in 2025.

While we have made some export sales in the past, those have related to our ProVida in-car speed enforcement systems rather than our QRO ANPR camera systems. With the launches of Harrier AI and Harrier Mini, we are now well placed to target selected overseas markets and in November we appointed an experienced ANPR international business development manager. During 2025 we are targeting international ANPR exhibitions, and have some ongoing overseas customer trials. We look forward to seeing some results of these initiatives coming through later in 2025.

Markets for the Group's Rail and Defence services and systems remained challenging although second half year revenues and contribution from these were a little ahead of those achieved in the first half year.

Petards Rail's eyeTrain order prospects pipeline during 2024 included opportunities for which customers had confirmed that the projects are to proceed and that Petards systems are specified. However, converting these into confirmed purchase orders was frustratingly slow. Modest progress was made during the second half of 2024 with orders being awarded to Petards for a small number of these projects. While at this stage the others remain to be placed, we understand additional awards are to be made soon.

Revenues generated from eyeTrain related services, spares and repairs for the year continued to make a strong contribution and were similar to those for the prior year. However, the delays in receiving customer orders for eyeTrain systems saw revenues for those reduce year-on-year.

Revenues for Defence products and services were similarly affected and substantially comprised those for specialist engineering services, support and repairs.

The announcement of the outcome of the UK Government's Defence Review included some elements that may well be helpful to Petards Defence's business, and last month the MOD confirmed that it was taking steps to increase the rate of Challenger 3 main battle tank deliveries. Challenger 3 is a programme for which we believe Petards is well placed to provide systems and support, being the incumbent supplier of engine management systems and related support on the Challenger 2 platform.

The benefits of the reorganisation of the RTS team undertaken just before the start of the year showed through in the 2024 results. We also successfully secured the renewal of all existing RTS software licence and maintenance contracts that came up for renewal in the year. Following internal software development, the RTS SaaS product portfolio was enhanced with the successful launch of mobile versions of our Ops Suite and Asset Management Services software.

## Financial review

### Operating performance

Group revenues increased to £12,016,000 (2023: £9,424,000) and reflect Affini's revenues for the period since its acquisition in mid-June 2024. Revenues for our QRO ANPR systems grew by over 7 per cent. year-on-year but challenging market conditions saw lower revenues for the Group's Rail and Defence products and services.

Gross profit margin was 45 per cent. (2023: 50 per cent.). Margins excluding Affini were similar year-on-year, and while Affini's integrator model attracts good margins, those are lower than for Petards' existing OEM solutions.

Overheads before exceptional costs of £491,000 (2023: £656,000), were £6,215,000 (2023: £5,284,000) with the increase year-on-year relating almost entirely to Affini's overheads incurred since its acquisition.

Earnings before interest, tax, depreciation, amortisation, exceptional items and acquisition costs ("adjusted EBITDA"), increased to £410,000 (2023: £340,000).

Net financial expenses increased to £171,000 (2023: £13,000), reflecting the borrowings incurred in the year to part fund the acquisition of Affini.

# Strategic report (continued)

The tax credit of £309,000 (2023: £148,000 credit) comprised a current tax credit of £120,000, and a net deferred tax credit of £189,000. The current tax credit predominantly relates to the surrender of previously unrecognised enhanced tax deductions for R&D tax credits in respect of 2023, that were recognised in 2024 and are shown as a receivable at 31 December 2024. Claims for 2024 R&D activities are expected to be made and recognised in 2025. The main elements of the deferred tax credit arose from the origination of in-year timing differences of £140,000, and a net £97,000 arising from the partial recognition of 2024 tax losses and net derecognition of prior year losses.

The overall result for the Group for the year was a loss after tax of £1,127,000 (2023: loss of £1,050,000), representing a diluted and undiluted loss per share of 1.91p (2023: loss per share 1.86p).

## Research and development

The Group continued to invest in its internally developed software and hardware solutions. That investment totalled £341,000 in 2024 (2023: £373,000), of which £304,000 was capitalised (2023: £349,000). Around 85 per cent. of the capitalised development costs related to our ANPR camera products and related software, with the balance relating to the ongoing development of the Group's rail products.

## Cash, cash flow and net debt

The Group again recorded a cash generative operating performance with net cash inflows from operating activities before exceptional costs of £685,000 (2023: £660,000).

Net cash flows from investing activities were £2,508,000 (2023: £485,000) of which £1,987,000 related to the cash element of the consideration for the Affini acquisition (net of cash acquired). Other investing activities included capitalised development costs of £304,000 and the acquisition of specialist ANPR service support vehicles for £124,000.

Net financing outflows were £462,000 (2023: £294,000) which included £345,000 of repayments of principal and interest on lease liabilities, and £80,000 in respect of interest relating to the funding of the Affini acquisition.

The Group's net debt at 31 December 2024 was £1,535,000 (2023: net funds £1,241,000) before deducting IFRS 16 lease liabilities of £855,000 (2023: £732,000).

The Group continues to maintain its £2.5 million overdraft facility on an "evergreen" basis, that may be utilised for both the Group's working capital purposes, and any other purpose which its bankers agree.

# Our business, business model and strategy

Petards Group plc was listed on AIM in 1997 and during 2024 the Group provides security, surveillance and communication technology solutions, to four key markets.

Rail – Software driven on-board digital video and sensor systems for fitment to new build or retrofitted to existing rolling stock. Applications include Driver Controlled Operation (DCO), Automatic Selective Door Opening (ASDO), condition monitoring, saloon car CCTV, drivers view cameras and automatic passenger counting systems, as well as software solutions and services that support the UK rail network including incident and fault management, work site management, resource management, machine plant and asset/inventory management.

Traffic – 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.

Defence – Engineering services relating to electronic control systems, threat simulation systems, radio systems, and other defence related equipment predominantly for the UK Ministry of Defence ("MOD") both directly and via its prime defence contractors.

Communications – critical communications and wireless technologies systems integrator serving the transport, blue light, energy, central government and construction sectors, offering an end-to-end service from initial strategy and design, through to equipment supply, providing ongoing maintenance and managed services.

The Group's customer base mainly comprises international 'blue chip' and government agencies and their strength, often global, gives rise to the opportunity to develop Petards' business through the provision of good quality professional service in support of its existing and future product ranges.

The Group develops its own products and services for sale to the Rail and Traffic markets whereas within the Defence market it is primarily a supplier of defence related electronics and specialist engineering services, and it serves the Communications market as a systems integrator providing ongoing maintenance and managed services.

The Board believes that the Group operates in growth areas and that it has the products and services plus available technical and technological skills to develop new products as well as the sales and marketing abilities to become a larger and more successful operator in each of the sectors in which it operates.

The Group's overriding objective is to achieve attractive and sustainable rates of growth and returns for shareholders and its strategy to achieve this objective is:

- to focus upon the Group's core products and services which are used in the rail, defence, traffic and communications industries;
- to continue to invest in developing technologies to enhance its product portfolio;
- to increase revenues both organically by exploiting the synergies within the Group and by acquisition;
- to expand revenues globally into the Group's target markets; and

to improve operating margins through cost management.

# Key performance indicators

The Group uses a number of key performance indicators (KPI's) to monitor its progress against its objectives. These KPI's, have been identified as measures that key stakeholders find useful, and which have a focus on those that provide a measure of business growth, cash generation, total indebtedness and that requiring servicing within one year and comparability with similar businesses.

In addition to on time delivery and quality standards, the main KPI's, which have been reported on in the Financial Review, are:

| | **2024 £000** | 2023 £000 |
|---|---|---|
| Revenue | **12,016** | 9,424 |
| Adjusted EBITDA[1] | **410** | 340 |
| Net cash from operating activities | **194** | 4 |
| Net (debt)/funds | **(1,535)** | 1,241 |

1 Adjusted EBITDA comprises operating profit/(loss) adjusted to remove the impact of depreciation, amortisation, exceptional items and acquisition costs. A reconciliation of Adjusted EBITDA to operating profit/(loss) is included on the face of the consolidated income statement. An Adjusted EBITDA KPI is considered useful to the Board since by removing exceptional items, and acquisition costs, the year-on-year operational performance comparison is more transparent.

See Alternative Performance Measures Glossary on page 70 for a full list of Alternative Performance Measures.

# Strategic report (continued)

## Principal risks and uncertainties

The management of the business and the execution of the Group's strategy is subject to a number of risks. The main business risks affecting the Group are outlined below:

*The Group may face increased competition* – the Group may face greater competition including that from competitors with greater capital resources than those of the Group.

*The Group may need future access to capital* – the Group's capital requirements depend on numerous factors. In order to make future acquisitions and to fund growth, the Group may require further financing. This may not be able to take place if financing is not available.

*The financial results of the Group can be materially affected by the timing of large contracts* – the Group's revenue is generated from a mix of longer and shorter lead time orders. The timing of order placement and delivery of the larger orders is inherently difficult to predict potentially causing material fluctuations in actual results compared with expectations or plans.

*Government expenditure* – many of the industries that utilise the Group's products receive funding from central and local governments. The levels of funding for those industries may impact on demand for the Group's products. The Group has sought to mitigate this potential exposure by increasing its customer base and by supplying a range of products and services.

*Dependence on key personnel* – the Group's performance depends to a significant extent upon a limited number of key employees. The loss of one or more of these key employees and the inability to recruit people with the appropriate experience and skills could have a material adverse effect on the Group. The Group has endeavoured to ensure that these key employees are incentivised, but their retention cannot be guaranteed.

*Technological changes* – the Group's product offerings may be under threat should technologies be developed by competitors that render those products either redundant or uncompetitive. This could potentially result in a reduction in revenues generated by the products affected. The Group also incurs expenditure in developing new products and services. Should such development projects not be successfully completed or result in offerings that are not attractive to customers, the costs incurred may not be fully recoverable.

Further details regarding the key accounting estimates and judgements are included in note 1.

# Directors' statement under Section 172 (1) of the Companies Act 2006

This section serves as our section 172 statement and should be read in conjunction with the rest of the Strategic Report set out on pages 4 to 10 (inclusive).

The Board is collectively responsible for the decisions made towards the long-term success of the Company and the directors are fully aware of their duty to promote the success of the Company in accordance with section 172 of the Companies Act 2006. Section 172 requires directors to take into consideration the interests of various stakeholders in their decision making, have regard, amongst other things, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationship with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

## Employees

Petards' employees are one of the primary assets of its business and the Board recognises that the Group's employees are the key resource which enables delivery of the Company's vision and goals. Pay reviews are carried out to determine whether all levels of employees are benefitted equally and to retain and encourage skills vital for the business. Employee interests and welfare continued to be at the forefront of directors' minds during 2024.

## Suppliers, customers and regulatory authorities

The Board acknowledges that a strong business relationship with suppliers and customers is a vital part of the Group's growth prospects. Whilst day to day business operations considering suppliers and customers are delegated to local executive management, the Board sets directions and evaluates policies with regard to new business ventures and investing in research and development. The Board upholds ethical business behaviour and encourages management to seek comparable business practices from all suppliers and customers doing business with the Company. We value the feedback we receive from our stakeholders and we take every opportunity to ensure that where possible, their wishes are duly considered.

## Community and environment

The Board seeks to uphold high standards of care towards the community and environment and is conscious of the fact that the nature of the Company's business may require measures to help protect the environment. The Group has various recycling and waste reduction programmes and when developing new electronic products seeks to reduce their power consumption. A cycle to work scheme is operated in the Group's largest site and all sites monitor energy and water usage monthly targeting reductions. Community engagement included the support of apprenticeships and the recruitment of appropriately skilled staff from within the communities in which the Group's operations are based.

## Maintaining high standards of business conduct

The Company is incorporated in the UK and governed by the Companies Act 2006. The Company has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the 'QCA Code') and the Board recognises the importance of maintaining a high level of corporate governance, which together with the requirements to comply with the AIM Rules ensures that the interests of the Company's stakeholders are safeguarded. The Company's expectation of honest, fair and professional behaviour is reflected by this and there is zero tolerance for bribery and unethical behaviour by anyone relating to the Company. The importance of making all staff feel safe in their environment is maintained and policies are in place to enable staff to confidentially raise concerns freely and to discuss any issues that arise. The Board continue to review of the Group's control environment on an annual basis and continue to be satisfied that strong financial controls are in place, and these are documented in the Group Controls Framework.

# Strategic report (continued)

## Shareholders

The Board places equal importance on all shareholders and recognises the significance of transparent and effective communications with its investors. As an AIM listed company there is a need to provide fair and balanced information in a way that is understandable to all stakeholders and particularly our shareholders. The primary communication tool with our shareholders is through the Regulatory News Service, ("RNS") on regulatory matters and matters of material substance. The Company's website provides details of the business, details of the Board and Board Committees, changes to major shareholder information, QCA Code disclosure and updates under AIM Rule 26. Changes are promptly published on the website to enable the shareholders to be kept abreast of Company's affairs. The Company's Annual Report and Notice of Annual General Meetings (AGM) are available to all shareholders. The Interim Report and other investor presentations are also available for at least the last six years and can be downloaded from our website. The Board acknowledges that encouraging effective two-way communication with shareholders encourages mutual understanding and better connection with them. The benefits include improved information on the business and its performance, appropriate consideration of all shareholders views, as well as instilling trust and confidence to allow informed investment decisions to be made.

## Strategic activity during the year

In the year to 31 December 2024 the main strategic activities of the Board were:

| Significant events/decisions | Key Section 172 matters affected | Actions and impact |
|---|---|---|
| Acquisition of Affini Technology Group Limited | Shareholders and employees | The Group completed the purchase of Affini in June 2024, which has diversified earnings, expanded the Group's blue chip customer base, added new capabilities and services to the product portfolio, and added a strong recurring revenue stream. |
| Development of the Harrier AI Mini camera within the QRO business | Shareholders and customers | Building on the success of the Harrier AI camera that was launched in December 2023, the Harrier AI Mini camera was developed in 2024 for launch in 2025.<br>Harrier AI Mini is a highly compact, all-in-one, integrated ANPR solution which is simple to deploy in vehicle based or fixed infrastructure applications.<br>Shareholder value expected to increase.<br>Improved customer service. |
| Expanded business development team at QRO to target overseas markets, and refreshed Rail sales team | Shareholders, customers and employees | QRO appointed an experienced ANPR international business development manager in November to develop new overseas markets for its new products. In September an experienced business development director for the Group's Rail business was appointed to better position the Group for sales opportunities for its eyeTrain products in the UK Rail market.<br>Shareholder value expected to increase. |

Signed on behalf of the Board

**Osman Abdullah**
Group Chief Executive

Parallel House
32 London Road
Guildford
Surrey
GU1 2AB

20 June 2025

# Chairman’s corporate governance statement

The Board is collectively responsible for Corporate Governance and I, as Chairman of the Board, am ultimately responsible for ensuring that a high level of Corporate Governance is embedded in the Company’s culture.

As a company whose shares are traded on the Alternative Investment Market (“AIM”) of the London Stock Exchange, Petards Group plc recognises its responsibility for the proper management of the Company and the importance of sound corporate governance, commensurate with the size and nature of the Company and the interests of its shareholders. In accordance with AIM Rule 26, which requires AIM companies to comply with a recognised code of Corporate Governance, the Board believes that the Quoted Companies Alliance Corporate Governance Code 2018 (the “QCA Code”) provides a suitable framework by which it is able to continue to commit to maintaining high standards of corporate governance. Accordingly, the Company complies with the 10 principles of the QCA Code where considered relevant and appropriate, having regard to the size, current stage of development and resources of the Company.

The QCA Code is applied by the Company primarily through its Board process, which includes regular meetings covering financial as well as non-financial matters which affect not only the Company’s shareholders but other significant stakeholders, including employees. The Board process and corporate governance is enhanced by the establishment of Audit, Remuneration and Nominations Committees.

The Board believes that, having regard to the size of the Group, its stage of development and the resources it has available, its governance structures and practices are in compliance with the expectations of the QCA Code.

Set out below are the 10 principles of the QCA Code, together with a summary under each heading explaining how the Company has applied these. In fulfilling their responsibilities, the directors believe that they govern the Company in the best interests of its shareholders, whilst having due regard to the interests of other stakeholders in the Group including, in particular, customers, employees and creditors.

## 1. Establish a strategy and business model which promotes long-term value for shareholders

### Application

The Board must be able to express a shared view of the Company’s purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the Company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the Company from unnecessary risk and securing its long-term future.

### Compliance

The Company's vision is to invest in and develop its business to deliver long-term, sustainable growth in shareholder value. This may come from organic growth, acquisitions or divestments.

The strategy for achieving this focuses on maintaining acceptable gross profit margins, underpinned with sensible cost and cash management, having regard to perceived risks within the industry market and sector parameters, as well as the macro-economic environment.

The Chairman’s Statement and Strategic Report include detailed analysis of the Group’s strategy, financial performance, principal risks and uncertainties and future expectations.

## 2. Seek to understand and meet shareholder needs and expectations

### Application

Directors must develop a good understanding of the needs and expectations of all elements of the Company’s shareholder base. The Board must manage shareholders’ expectations and should seek to understand the motivations behind shareholder voting decisions.

### Compliance

The Board recognises and understands that it has a fiduciary responsibility to the shareholders. The Board is aware of the need to protect the interests of minority shareholders and balancing these interests with those of any more substantial shareholders. The Chairman is responsible for ongoing dialogue and relationships with shareholders supported by the other directors. As such, members of the Board meet with the Company’s larger shareholders during the course of the year. The Annual General Meeting is always an opportunity for the Board to communicate with shareholders and the Board welcomes the attendance and participation of all shareholders.

# Chairman’s corporate governance statement (continued)

This communication allows the Board to understand the shareholders’ views, and to ensure that the strategies and objectives of the Group are aligned with shareholders. In its decision-making, the Board will have regard to the ascertained expectations and needs of its shareholders (as appropriate in accordance with its statutory and fiduciary duties).

The Group’s website (www.petards.com) allows shareholders access to information including; contact details, major shareholders and external advisors. In addition, all announcements issued since 2014 via RNS are available, together with an archive of recent financial reports and accounts and interim statements.

The resolutions to be put to a vote at each AGM can be found at the back of the relevant Annual Financial Report and the Financial Reports and Circulars section of the Company's website for any forthcoming AGM. Past AGM resolutions can be found at the back of each Annual Financial Report with the results published in the RNS section.

## 3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

### Application

Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators, and others). The Board needs to identify the Company’s stakeholders and understand their needs, interests, and expectations.

Where matters that relate to the Company’s impact on society, the communities within which it operates or the environment have the potential to affect the Company’s ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the Company’s strategy and business model.

Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.

### Compliance

The Group’s responsibilities to stakeholders including staff, suppliers and customers and the wider society are also recognised as important to the delivery of the Company’s business objectives.

The Company is committed to a series of Corporate Social Responsibility principles that provide a reference point for all stakeholders on the elements that define the conduct of the Company’s business and relationships in the geographical markets in which it operates.

These principles are subject to periodic review and cover the following areas; ethics and business conduct, employees (including our supply chain), health and safety, environment and community.

The environmental impact of the Group’s activities is carefully considered, and the maintenance of high environmental standards is a priority. The Group is committed to reducing that impact as far as reasonably possible through full regulatory compliance, recycling programmes and other initiatives.

The Board has regard to the feedback of relevant stakeholders in its decision-making and the formulation of strategy.

## 4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

### Application

The Board needs to ensure that the Company’s risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including their supply chains, from key suppliers to end-customer.

Setting strategy includes determining the extent of exposure to the identified risks that the Company is able to bear and willing to take (risk tolerance and risk appetite).

Compliance

The Board has established Audit and Remuneration Committees full details of which are contained in principle 9, below.

The Company also receives feedback from its external auditors on the effectiveness of its internal control structure.

The Audit Committee have reviewed the requirement for an internal audit function for the Group and have determined that at this time considering the size of the Group, it's composition and the close involvement of senior management over the Group's accounting systems, it is not currently required. However, the Committee will keep this matter under review in the event that circumstances warrant an internal audit function in the future.

In addition to the activities of the Board's sub-committees, the Board approves the annual budget each year. This process allows the Board to identify key performance targets and risks expected during the upcoming year. The Board also considers the agreed budget when reviewing trading updates and considering expenditures throughout the year. Progress is monitored via monthly reporting of actual financial performance against budget. Where appropriate, forecasts are prepared to further appraise any risks arising during the year.

The Group has clear authority limits deriving from the list of matters reserved for decision by the Board, including capital expenditure approval procedures.

The Board regularly reviews and monitors Key Performance Indicators, including those related to banking covenants.

## 5. Maintain the Board as a well-functioning, balanced team led by the Chair

Application

The Board members have a collective responsibility and legal obligation to promote the interests of the Company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the Chair of the Board.

The Board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The Board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a Board judgement and takes into account length of time directors have been involved with the Company and any interests in shares held.

The Board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.

Directors must commit the time necessary to fulfil their roles.

Compliance

The principal risks faced by the Group are addressed by the appointment of an experienced executive Board supported by experienced independent non-executive directors and a team of appropriately qualified professional advisers.

The executive directors are closely involved in the day to day operations of the Group and report to the Board in detail, typically on a monthly basis. Their reports include the status and trends of agreed Key Performance Indicators that are noted in the Group's Annual Financial Report in the Strategic Report and Financial and Operational Highlights.

# Chairman's corporate governance statement (continued)

Ten main Board meetings were held during 2024. The Board records attendance at all Board meetings and the table below shows attendance by each director.

| | |
|---|---|
| Raschid Abdullah | 10/10 |
| Osman Abdullah | 10/10 |
| John Wakefield | 10/10 |
| Geraint Davies | 10/10 |
| Paul Negus | 9/10 |

The Board considers itself sufficiently independent. The QCA Code suggests that a board should have at least two independent non-executive directors. The Board have considered each non-executive directors' length of service and interests in the share capital of the Group and consider that Mr Wakefield and Mr Davies are independent of the executive management and free from any undue extraneous influences which might otherwise affect their judgement. All Board members are fully aware of their fiduciary duty under company law and consequently seek at all times to act in the best interests of the Company as a whole.

The role of the independent non-executive directors is to bring independent judgement to Board deliberations and decisions. The independent non-executive directors have no personal financial interest, other than as shareholders, in the matters to be decided. Whilst the Company is guided by the provisions of the QCA Code in respect of the independence of directors, it gives regard to the overall effectiveness and independence of the contribution made by directors to the Board in considering their independence and does not consider a director's period of service in isolation to determine this independence.

The Board has sub-committees appointed to review the specific matters of Audit, Remuneration and Nominations. The Audit Committee is chaired by Mr Davies and the Remuneration and Nominations Committees are chaired by Mr Wakefield. Further details are provided under principle 9, below.

The Board is confident that each current member has the necessary skills, experience and knowledge to discharge his duties and responsibilities effectively and that each commits the time necessary to fulfil his role.

## 6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

### Application

The Board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The Board should understand and challenge its own diversity, including gender balance, as part of its composition.

The Board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a Board.

As companies evolve, the mix of skills and experience required on the Board will change, and Board composition will need to evolve to reflect this change.

### Compliance

Collectively the directors have a wealth of knowledge and experience of the Group's business operations and financial management, and of the market sector in which it operates.

The Board is collectively aware of its need to consider and review its composition, in terms of individual personalities, diversity and gender. Having regard to the size and stage of development of the Group and of its internal resources and management support structure beneath it, the Board believes that it currently has an appropriate mix of personal qualities, experience and capability.

## 7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

### Application

The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.

The Board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.

It is healthy for membership of the Board to be periodically refreshed. Succession planning is a vital task for boards. No member of the Board should become indispensable.

### Compliance

The Board undertakes regular monitoring of personal and corporate performance using agreed key performance indicators and detailed financial reports.

Key performance indicators include: revenues, Adjusted EBITDA, pre-tax (loss)/profit, cash generation, net cash, net assets and earnings per share.

The Board considers the need for refreshing its membership and is also responsible for succession planning. Having regard to the size and stage of development of the Group and of its internal resources and management support structure beneath it, the Board believes that it currently has an appropriate mix of personal qualities, experience and capability and that it undertakes sufficient procedures to review its own effectiveness and performance as a unit, as well as that of its committees and individual members.

## 8. Promote a corporate culture that is based on ethical values and behaviours

### Application

The Board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.

The policy set by the Board should be visible in the actions and decisions of the Chief Executive and the rest of the management team. Corporate values should guide the objectives and strategy of the Company.

The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the Company.

The corporate culture should be recognisable throughout the disclosures in the Annual Report, website and any other statements issued by the Company.

### Compliance

The Board is committed to embodying and promoting a sound corporate culture and has endorsed various policies which require ethical behaviour of staff and relevant counterparties (such as those mandating anti-corruption, anti-counterfeiting, fair treatment and equality of opportunity).

The Board and management conduct themselves ethically at all times. The Group values its reputation for ethical behaviour and has a set of values that are at the core of its business philosophy.

# Chairman's corporate governance statement (continued)

## 9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

### Application

The Company should maintain governance structures and processes in line with its corporate culture and appropriate to its:

– size and complexity; and

– capacity, appetite and tolerance for risk.

The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Company.

### Compliance

Whilst the Company recognises the importance of high standards of Corporate Governance, the Board has sought to address the matter in a proportionate way having regard to the size and resources of the Group.

The principal risks faced by the Group are addressed by the appointment of an experienced executive Board, supported by experienced independent non-executive directors, an experienced, capable and diverse operational management support structure and a team of appropriately qualified external professional advisers.

The Board aims to hold twelve formally constituted meetings per annum at which it typically reviews the Group's financial performance and risk profile and considers strategies for future growth.

The Board is supported by the Company Secretary who records and distributes minutes of the meetings on a timely basis.

In support of its aim of maintaining governance structures and processes, the Board has sub-committees appointed to review the specific matters of Audit, Remuneration and Nominations.

### Audit Committee

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored and for meeting the auditors and reviewing their reports in relation to the accounts and the audit. It holds a formal meeting with the external auditors at least twice a year.

The Audit Committee evaluates the independence and objectivity of the external auditor and takes into consideration all United Kingdom professional and regulatory requirements. Consideration is given to all relationships between the Group and the audit firm including in respect of the provision of non-audit services. The Audit Committee considers whether those relationships appear to impair the auditor's judgement or independence. The Audit Committee believes they do not.

The Audit Committee have considered the key judgemental areas of business combinations, going concern and impairment of intangible assets and goodwill and determined that they have been appropriately reflected in these financial statements.

The Audit Committee have reviewed the requirement for an internal audit function for the Group and have determined that at this time considering the size of the Group, it's composition and the close involvement of senior management over the Group's accounting systems, it is not currently required. However, the Committee will keep this matter under review in the event that circumstances warrant an internal audit function in the future.

### Remuneration Committee

The Remuneration Committee is responsible for setting the scale and structure of the executive directors' remuneration. It also recommends the allocation of share options to directors and other employees.

The responsibilities of both the Audit and Remuneration Committees are undertaken by the Company's independent non-executive directors, who seek independent advice from external advisors as he feels is appropriate and necessary.

### Nominations Committee

The whole Board undertakes the Nominations Committee responsibilities. The remit comprises all new appointments of directors and senior management throughout the Group; nominations, interviewing, taking up references and considering related matters.

## 10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

### Application

A healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Company.

In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist:

- the communication of shareholders' views to the Board; and
- the shareholders' understanding of the unique circumstances and constraints faced by the Company.

It should be clear where these communication practices are described.

### Compliance

The Board is conscious of the need to engage with shareholders and other stakeholders so that interested parties have sufficient information on which to make informed decisions about the Company.

The Company's Annual Financial Report provides information on a number of key areas, including the following:

- corporate governance, including reference to the QCA Code;
- operational and financial review;
- a summary of the business, the business model and strategy;
- significant risks and uncertainties;
- significant accounting policies and particularly areas which are subject to judgements, estimates and assumptions; and
- a Remuneration Committee Report.

No separate Audit Committee Report is provided as its Chairman considers that its activities are adequately set out within Principle 9 above.

The Company's website provides further information on a number of key areas, including the following:

- material on the Company's corporate governance framework;
- the AGM Statement and results of voting at the AGM;
- regulatory news; and
- historical Annual Financial Reports.

Both this Annual Financial Report and the Company's website provide information on forthcoming AGMs and a list of external advisers.

Further details regarding the communication between the Company and its shareholders is explained in the disclosure above against principle 2.

# Directors' remuneration report

## Remuneration Committee

The Remuneration Committee is presently comprised of the two non-executive directors, chaired by Mr J Wakefield.

## Remuneration policy

The Remuneration Committee reviews the performance of executive directors and sets the scale and structure of their remuneration and other benefits. Individual rewards and incentives are aligned with the performance of the Group and the interests of the shareholders and are set at an appropriate level in order to attract, retain and motivate executives who are expected to meet challenging performance criteria.

The Committee also recommends the allocation of share options to directors and other employees.

## Service contracts

No directors have contracts of service with notice periods that exceed 12 months.

## Directors' emoluments

Details of individual director's emoluments are set out in note 4 to the financial statements.

## Directors' share interests

The directors' beneficial interests in the shares of the Company at the year-end were as follows:

| | **Ordinary Shares of 1p each at 31 December 2024** | Ordinary Shares of 1p each at 31 December 2023 |
|---|---|---|
| R Abdullah | **3,476,909** | 3,476,909 |
| O Abdullah | **2,139,948** | 2,139,948 |
| P Negus | **575,000** | 575,000 |

## Directors' interests in share options

At 31 December 2024 the number of options to subscribe for ordinary shares of 1p held by directors was as follows:

| | Number of options at 1 January 2024 | Exercised during the year | Lapsed during the year | Granted during the year | Number of options at 31 December 2024 | Exercise price (pence) | Date first exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|
| R Abdullah | 850,000 | – | – | – | 850,000 | 12.25p | 06.01.19 | 05.01.26 |
| | 575,000 | – | – | – | 575,000 | 21.50p | 31.10.21 | 30.10.28 |
| O Abdullah | 850,000 | – | – | – | 850,000 | 12.25p | 06.01.19 | 05.01.26 |
| | 575,000 | – | – | – | 575,000 | 21.50p | 31.10.21 | 30.10.28 |
| P Negus | 300,000 | – | – | – | 300,000 | 21.50p | 31.10.21 | 30.10.28 |

The share price at 31 December 2024 was 8.25p and the share price ranged during the year from 3.90p to 10.25p.

There have been no changes to directors' interests since the year end.

## Non-executive directors

Fees for the non-executive directors are determined by the Board as a whole having regard to the time devoted to the Company's affairs. The non-executive directors are not part of any pension, share option or bonus schemes of the Group.

**John Wakefield**
Director

20 June 2025

# Directors' report

The directors present their report and financial statements for the year ended 31 December 2024.

## Board of Directors and Directors' interests

The Board currently comprises an executive Chairman, one other executive director and two non-executive directors as follows:

### Raschid Abdullah – Executive Chairman

Raschid was appointed Executive Chairman in January 2013 and until its purchase by Petards was also Executive Chairman of Water Hall Group plc, which was listed on AIM.

He was previously Executive Chairman of Evered Holding plc, a fully listed public company specialising in industrial and quarry related products, from 1982 to 1989. Raschid started his commercial life within the construction industry in the areas of building product supplies and the provision of specialist subcontracting services starting his first business in 1971 which he sold to a competitor in 1976. He then joined the family business providing a range of services to clients in the Middle East.

### Osman Abdullah – Group Chief Executive

Osman Abdullah was appointed to the Board in September 2010 as a non-executive director, becoming executive chairman of the Group's principal trading subsidiary in 2013 and was appointed as Group Chief Executive in January 2016.

He was formerly Group Chief Executive of Evered Holdings plc, a fully listed public company specialising in industrial manufacturing, distribution and quarry mining related products from 1981 to 1989. He subsequently served as a non-executive director of Umeco plc from 1993 to 2005 a fully listed company specialising in component distribution and the manufacture of composite material-based products principally to the aerospace industry.

### John Wakefield – Non-Executive Director

John Wakefield was appointed in February 2023 and is an experienced quoted company director and corporate adviser. He qualified as a solicitor with McKenna & Co (now CMS) before moving into corporate finance, first with Williams de Broe Limited and then at Rowan Dartington & Co. Limited, where he was a founder director and shareholder and head of corporate finance. He was a corporate finance director of WH Ireland Limited from 2009 until 2016.

He has been a member of the AIM Advisory Group, chairman of the London Stock Exchange Regional Advisory Group for the South West and chairman of South West Angel and Investor Network Limited (SWAIN) from 2008 until 2016. He is a non-executive director of AIM listed Acuity RM Group plc.

John is senior independent non-executive director, Chairman of the Remuneration Committee and a member of the Audit Committee.

### Geraint Davies – Non-Executive Director

Geraint Davies was appointed to the Board in November 2023. He is a Fellow of the Institute of Chartered Accountant with over 30 years' experience, working with global national and local organisations in the private and public sector. Prior to his appointment, Geraint held senior leadership roles in EY's practices in the Channel Islands, the UK, and most recently in Malta, and has also previously held roles with PwC and Deloitte. He is presently senior independent non-executive director of AIM listed CT Automotive Group plc.

He is Chairman of the Audit Committee and a member of the Remuneration Committee.

## Research and development

The Group is committed to research and development activities to secure competitive advantage in the markets in which it operates. An amount of £304,000 *(2023: £349,000)* has been capitalised during the year which relates to the development of the new Harrier AI Mini camera in our traffic business and the ongoing development of the Group's rail products. In addition, the Group expensed other development expenditure totalling £37,000 *(2023: £24,000)* directly to the Income Statement.

## Financial instruments and financial risk management

The Group presently finances its operations through a mixture of cash resources, bank overdraft, retained earnings and share capital. Its principal financial instruments comprise cash and bank overdraft together with trade receivables and trade payables.

The Group's other financial instruments arise from its day to day operations and comprise primarily of short term debtors and creditors and, where deemed appropriate, forward currency contracts.

Further details of the Group's financial instruments are given in note 23 to the financial statements and the directors consider the principal risk associated with the Group's financial instruments to be liquidity risk.

## Employment policies

The Group has established policies to comply with the relevant legislation and codes of practice regarding employment and equal opportunities. It keeps its employees informed of matters affecting them as employees through regular team briefings throughout the year and has a policy that training, career development and promotion opportunities should be available to all employees.

It is the Group's policy to give full and fair consideration to applications for employment by people who are disabled, to continue wherever possible the employment of staff who become disabled and to provide equal opportunities for the career development of disabled employees.

## Fostering relationships with stakeholders

The Board is committed to fostering good relationships with stakeholders and its approach is outlined in the Section 172 Statement on page 9.

## Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Substantial shareholdings

At 20 June 2025 the Company was aware of the following interests in three percent or more of its issued share capital.

| Name of holder | Number of shares | Percentage held |
|---|---|---|
| K7 Financial Company WLL | 8,615,268 | 14.19% |
| Philip J Milton & Company Plc | 3,687,441 | 6.07% |
| R M Abdullah | 3,676,909 | 6.06% |
| T W G Charlton | 3,050,000 | 5.02% |
| A Perloff | 3,000,000 | 4.94% |
| O Abdullah | 2,419,948 | 3.99% |
| J Hicking | 2,050,000 | 3.38% |
| MT Zahid | 1,875,000 | 3.09% |
| YT Zahid | 1,875,000 | 3.09% |
| J Cranston | 1,820,000 | 3.00% |

# Directors' report (continued)

## Results and dividends

The loss for the year after tax was £1,127,000 *(2023: loss of £1,050,000)*. The directors do not recommend the payment of a dividend.

## Going concern

After making detailed enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly continues to prepare the financial statements on a going concern basis. Further details relating to going concern are provided at note 1 on page 35 to the financial statements.

## Auditor

On 10 September 2024, Haysmacintyre LLP were appointed as auditor of the Company. On 18 November 2024 the Company's auditor changed its name from Haysmacintyre LLP to HaysMac LLP. In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of HaysMac LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

**Raschid Abdullah**
Director

Parallel House
32 London Road
Guildford
Surrey
GU1 2AB

20 June 2025

# Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK adopted international accounting standards and have elected to prepare the parent Company financial statements in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent auditor's report to the members of Petards Group plc

## Opinion

We have audited the financial statements of Petards Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2024 which comprise the consolidated income statement, the group statement of financial position, the group statement of changes in equity, the group statement of cash flows, the company statement of financial position, the company statement of changes in equity, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2024 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

All audit procedures, including work performed over significant components, was carried out by the Group audit team. Full scope audit procedures were performed over the five significant components of the group being Petards Group plc, Petards Joyce-Loebl Limited, QRO Solutions Limited, RTS Solutions Limited and Affini Technology Limited. Desktop review procedures were performed by the Group audit team over non-significant components where there was considered to be limited or no aggregation risk.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How our scope addressed this matter |
|---|---|
| ***Fraud in revenue recognition***<br>The Group's revenue recognition policy is detailed within the accounting policies in note 1, and the amounts of revenue recognised at a point in time and over time are set out in note 2.<br>The Group recognised revenue from the sale of goods when control of those goods passes to the customer.<br>For services provided to customers by the Group over time, revenue is either recognised on a 'straight line' basis for maintenance and support contracts, or where the Group's assets are made available for use by customer, or with reference to the stage of completion in the case of specific engineering projects.<br>There is a risk that revenue may be materially misstated as a result of fraud or error through its recognition before performance obligations have been discharged, either via recognising revenue from the sale of goods before control has passed to customers, or recognising revenue in relation to services to a greater extent than those service obligations have been discharged. | Our audit work included, but was not restricted to, the following:<br>● We obtained management's analysis and accounting memorandum for the key revenue streams across the group and examined application of the provisions of IFRS 15;<br>● A sample of contracts were selected for inspection to ascertain appropriate application of IFRS 15's 5-step approach to ensure management's interpretation and application of contract terms is in line with the revenue standard;<br>● Cash to revenue reconciliations were performed to agree the Group's sales transactions to subsequent cash recovery;<br>● We substantively tested a sample of transactions from the relevant component's accounting ledgers to receipts and third party evidence of delivery of goods or the service being provided;<br>● We assessed the population of revenue transactions using data analytics techniques for presence of unusual transactions posted outside of the expected flow of double entry patterns associated with accounting for revenue;<br>● We critically assessed management's project revenue accounting, specifically challenging the proposed method and ensuring we obtained appropriate corroborating evidence to demonstrate satisfaction of performance obligations on an input or output basis where relevant;<br>● We substantively tested transactions around the reporting date whereby a sample of transactions, including those that were material, unusual or unexpected revenue transactions (where applicable) were agreed to supporting documentation to ascertain appropriate timing for revenue recognition; and<br>● Our review also included an assessment of the appropriateness of the recognition of trade receivables, contract assets and liabilities. |
| ***Impairment of intangible assets, including goodwill***<br>Included in the Group statement of financial position are intangible assets of £5m (2023: £3.6m).<br>The losses incurred by the Group indicate a risk that the capitalised development costs and goodwill are impaired and materially overstated in the financial statements.<br>The estimated recoverable amount of the intangible assets is material to the Group. There is a risk that these balances are materially overstated if an impairment should be recognised in addition to any amortisation charged in the year.<br>Impairment reviews relating to these balances are subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows and assumptions made in relation to future market demand and revenue levels, gross margins and overhead rates.<br>The effect of this is that the recoverable amount of capitalised development costs and goodwill has a high degree of | Our audit work included, but was not restricted to, the following:<br>● We obtained management's impairment assessment and scrutinised the forecasts and key inputs in the value in use calculations;<br>● We reviewed each group of assets with reference to internal and external impairment indicators noted per IAS 36;<br>● We reviewed and challenged management's identification and allocation of carrying values to cash generating units assessment to ensure it was appropriate;<br>● We conducted a review of the forecasts prepared by management against actual results after the reporting date to determine management's ability to accurately prepare forecasts;<br>● We assessed sensitivity analysis presented by management to detail the headroom for each category of intangible asset;<br>● We performed our own sensitivity analysis to assess the level of headroom regarding the capitalised intangible assets; |

# Independent auditor’s report to the members of Petards Group plc (continued)

| Key Audit Matter | How our scope addressed this matter |
|---|---|
| estimation uncertainty and a potential range of reasonably possible outcomes greater than materiality for the financial statements. Therefore, there is a risk that they may require impairment. | ● We obtained from management’s acquisition accounting memoranda and workings for the entity acquired during the year and assessing the appropriateness of the intangible assets recognised and if there was any indicator of impairment in the customer relationships intangible recognised on business combination; and<br>● We critically assessed the significant estimates and judgements in impairment of Intangibles and Goodwill and obtained sufficient evidence in line with IAS 36 to corroborate the supporting value carried by management. |
| ***Recoverability of investments in subsidiaries and intercompany receivables (parent company financial statements)***<br>Included in the Parent Company's Statement of Financial Position are investments in subsidiaries of £15.7m (2023: £12.9m) and intercompany receivables of £0.2m (2023: £0.4m).<br>There is a risk that the investments in subsidiaries and intercompany receivables are materially overstated if the recoverable amount is lower than the carrying value due to the loss-making positions of the subsidiaries and the carrying values exceeding the market capitalisation of the Group.<br>The impairment review of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows and assumptions. This therefore increases the risk that the recoverable value of investments and intercompany receivables may be less than their stated carrying values. | Our audit work included, but was not restricted to, the following:<br>● We obtained and critically assessed management’s impairment assessments, including challenging the allocation of cash flows between entities;<br>● We have challenged in detail key inputs into the future forecasts in preparing the discounted cashflow;<br>● We reviewed the forecasts to actual results after the reporting date, to determine the appropriateness of managements forecasting;<br>● We conducted sensitivity analysis on the forecasts presented to determine whether there is sufficient headroom in the forecasts to support the outcome of management's assessment;<br>● We reviewed management responses to queries raised, and ensured the appropriateness of responses; and<br>● Where supporting documentation was obtained for inputs, we ensured these were appropriate and in line with management’s forecasts. |
| ***Business combinations – Affini Technology Group Limited and its subsidiary***<br>The Group acquired control over Affini Technology Limited and its subsidiary in June 2024. The Group has recognised goodwill of £1.4m and intangible assets with a fair value of £0.2m.<br>Business combination accounting and in particular the valuation of intangible assets is a complex area that requires the application of multiple judgements and estimates.<br>There is a risk that goodwill and separately identifiable intangibles may be materially misstated if said business combination accounting has been inappropriately carried out. | Our audit work included, but was not restricted to, the following:<br>● We obtained the Purchase Price Allocation report prepared by management’s expert and the share purchase agreement for the acquisition of Affini Technology Group Limited, and ensured the acquisition has been correctly treated in the financial statements;<br>● We reviewed the intangibles capitalised on acquisition, and ensured they were brought in at fair value, with the support of management’s expert;<br>● We utilised the knowledge of an auditor’s expert, in ensuring that the valuation methodology is appropriate in consideration of the type of business that was acquired; and<br>● We reviewed the acquisition-date balance sheet, where relevant, to ensure that the net assets on acquisition are not materially misstated, with specific consideration to cut-off of transactions around the acquisition date. |

## Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Company financial statements |
|---|---|---|
| **Overall materiality (OM)** | £183,000 | £174,000 |
| **How we determined OM** | 1.5% of revenue | 2% of total assets but capped at 95% of group materiality |
| **Rationale for OM benchmark applied** | Revenue has been used as the benchmark of materiality as this is a key KPI of the growing business to increase recurring revenue. Revenue has been used as the benchmark for materiality as this is a key KPI of the Group and representative of its activity levels and growth trajectory, which we consider to be a key area of concern for a user of the financial statements. | The Parent Company does not generate significant revenues and is primarily a holding company for its subsidiaries, and as such an asset based benchmark was determined to be appropriate. Due to the significance of the balance sheet, using an asset based benchmark would exceed group materiality and we have therefore restricted the Parent Company materiality to a proportion of Group materiality |
| **Performance materiality (PM)** | £119,000 | £113,000 |
| **How we determined PM** | 65% of overall materiality | 65% of overall materiality |
| **Rationale for PM benchmark applied** | The performance materiality of 65% of overall materiality was determined based on our assessment and understanding of the Group's control environment, while also taking into account this was the first year of our audit engagement. | |
| **Error reporting threshold** | £9,150 (5% of overall materiality) | £8,690 (5% of overall materiality) |

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the Director's assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included, but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern;
- Evaluating the methodology used by the Directors to assess the Group's and Parent Company's ability to continue as a going concern;
- Reviewing the Director's going concern assessment and evaluating the key assumptions used and judgements applied;
- Reviewing liquidity headroom by applying a number of sensitivities to the base forecast and plausible worst-case forecast, prepared by management, to provide comfort over there being sufficient cash to pay debts as they fall due throughout the going concern period;
- Reviewing forecasts from a short-term, medium-term, and long-term perspective to assess any liquidity issues in the group;

# Independent auditor’s report to the members of Petards Group plc (continued)

- Verifying the existence of and terms relating to debt facilities available to the Group;
- Reviewing post year end bank statements to assess cashflow performance of the Group, including reviewing documentation;
- Performing stress tests including sensitivity analysis to model the effect of changing assumptions made or amending key data used in management's cash flow forecasts and considering the impact on the group's ability to adopt the going concern basis; and
- Reviewing the appropriateness of disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the Group, we identified that the principal risks of non-compliance with laws and regulations related to UK adopted international accounting standards, the Companies Act 2006, relevant tax legislation in the jurisdictions the Group operates and regulatory requirements for AIM listed companies, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such including from those relevant laws and regulations listed above.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing accounting journal entries, in particular those journal entries which exhibited the characteristics we had identified as possible indicators of irregularities;
- Challenging assumptions and judgements made by management in their critical accounting estimates, particularly relating to revenue recognition, impairment of intangible assets and investment valuation;
- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws or regulations; and
- Enquiry of management, the Audit Committee and those charged with governance regarding any known or suspected instances of fraud.

# Independent auditor's report to the members of Petards Group plc (continued)

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Christopher Cork (Senior Statutory Auditor)**
**10 Queen Street Place**
**For and on behalf of HaysMac LLP,**
**Statutory Auditors**
**London**
**20 June 2025**

# Consolidated income statement

For the year ended 31 December 2024

| | Note | 2024 £000 | 2023 £000 |
|---|---|---|---|
| **Revenue** | 2 | **12,016** | 9,424 |
| Cost of sales | | **(6,575)** | (4,669) |
| **Gross profit** | | **5,441** | 4,755 |
| Administrative expenses | | **(6,706)** | (5,940) |
| **Adjusted EBITDA*** | | **410** | 340 |
| Amortisation of intangibles | 11 | **(609)** | (523) |
| Depreciation of property, plant and equipment | 9 | **(334)** | (161) |
| Depreciation of right of use assets | 10 | **(241)** | (185) |
| Exceptional acquisition costs | 28 | **(416)** | (579) |
| Exceptional reorganisation costs | 28 | **(75)** | (77) |
| **Operating loss** | | **(1,265)** | (1,185) |
| Finance income | 5 | **13** | 33 |
| Finance expenses | 5 | **(184)** | (46) |
| **Loss before tax** | 3 | **(1,436)** | (1,198) |
| Income tax | 6 | **309** | 148 |
| **Loss for the year attributable to equity shareholders of the parent** | | **(1,127)** | (1,050) |
| **Other comprehensive income** | | **–** | – |
| **Total comprehensive loss for the year** | | **(1,127)** | (1,050) |
| **Loss per ordinary share (pence)** | | | |
| Basic | 7 | **(1.91)** | (1.86) |
| Diluted | 7 | **(1.91)** | (1.86) |

* Earnings before financial income and expenses, tax, depreciation, amortisation, exceptional items and acquisition costs. See Alternative Performance Measures Glossary on page 70.

The accompanying notes form an integral part of the financial statements.

# Statements of changes in equity

For year ended 31 December 2024

| Group | Share capital £000 | Share premium £000 | Treasury shares £000 | Equity reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| At 1 January 2023 | 575 | 1,624 | (103) | 14 | 6,137 | 8,247 |
| Loss for the year | – | – | – | – | (1,050) | (1,050) |
| **Total comprehensive income for the year** | – | – | – | – | (1,050) | (1,050) |
| **At 31 December 2023** | 575 | 1,624 | (103) | 14 | 5,087 | 7,197 |
| At 1 January 2024 | 575 | 1,624 | (103) | 14 | 5,087 | 7,197 |
| Loss for the year | – | – | – | – | (1,127) | (1,127) |
| **Total comprehensive loss for the year** | – | – | – | – | (1,127) | (1,127) |
| Lapse of share options | – | – | – | (14) | 14 | – |
| Shares issued in the year | 42 | 284 | – | – | – | 326 |
| **At 31 December 2024** | **617** | **1,908** | **(103)** | **–** | **3,974** | **6,396** |

| Company | Share capital £000 | Share premium £000 | Treasury shares £000 | Equity reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| At 1 January 2023 | 575 | 1,624 | (103) | 14 | 8,402 | 10,512 |
| Loss for the year | – | – | – | – | (317) | (317) |
| **Total comprehensive income for the year** | – | – | – | – | (317) | (317) |
| **At 31 December 2023** | 575 | 1,624 | (103) | 14 | 8,085 | 10,195 |
| At 1 January 2024 | 575 | 1,624 | (103) | 14 | 8,085 | 10,195 |
| Loss for the year | – | – | – | – | (860) | (860) |
| **Total comprehensive loss for the year** | – | – | – | – | (860) | (860) |
| Lapse of share options | – | – | – | (14) | 14 | – |
| Shares issued in the year | 42 | 284 | – | – | – | 326 |
| **At 31 December 2024** | **617** | **1,908** | **(103)** | **–** | **7,239** | **9,661** |

The accompanying notes form an integral part of the financial statements.

# Statement of financial position

At 31 December 2024

| | Note | Group 2024 £000 | Group 2023 £000 | Company 2024 £000 | Company 2023 £000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 9 | **1,181** | 655 | **–** | – |
| Right of use assets | 10 | **836** | 691 | **–** | – |
| Intangible assets | 11 | **4,977** | 3,605 | **11** | – |
| Investments | 12 | **–** | 5 | **15,704** | 12,856 |
| Deferred tax assets | 13 | **768** | 470 | **372** | 181 |
| | | **7,762** | 5,426 | **16,087** | 13,037 |
| **Current assets** | | | | | |
| Inventories | 14 | **1,799** | 1,735 | **–** | – |
| Trade and other receivables | 15 | **3,519** | 2,323 | **358** | 471 |
| Cash and cash equivalents | 16 | **168** | 1,241 | **–** | 604 |
| | | **5,486** | 5,299 | **358** | 1,075 |
| **Total assets** | | **13,248** | 10,725 | **16,445** | 14,112 |
| **EQUITY AND LIABILITIES** | | | | | |
| ***Equity attributable to equity holders of the parent*** | | | | | |
| Share capital | 20 | **617** | 575 | **617** | 575 |
| Share premium | | **1,908** | 1,624 | **1,908** | 1,624 |
| Treasury shares | 21 | **(103)** | (103) | **(103)** | (103) |
| Equity reserve | 22 | **–** | 14 | **–** | 14 |
| Retained earnings | | **3,974** | 5,087 | **7,239** | 8,085 |
| **Total equity** | | **6,396** | 7,197 | **9,661** | 10,195 |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 17 | **552** | 511 | **–** | – |
| Trade and other payables | 18 | **–** | – | **1,086** | 1,086 |
| | | **552** | 511 | **1,086** | 1,086 |
| **Current liabilities** | | | | | |
| Interest-bearing loans and borrowings | 17 | **2,006** | 221 | **2,211** | – |
| Provisions for liabilities and charges | 18 | **106** | 113 | **–** | – |
| Trade and other payables | 18 | **4,188** | 2,683 | **3,487** | 2,831 |
| | | **6,300** | 3,017 | **5,698** | 2,831 |
| **Total liabilities** | | **6,852** | 3,528 | **6,784** | 3,917 |
| **Total equity and liabilities** | | **13,248** | 10,725 | **16,445** | 14,112 |

As permitted by section 408 of the Companies Act 2006, the parent company's income statement has not been included in these financial statements. The parent company's loss for the financial year was £860,000 (2023: loss of £317,000).

These financial statements were approved by the Board of Directors on 20 June 2025 and were signed on its behalf by:

**Raschid Abdullah**
Director

Registered number: 02990100

The accompanying notes form an integral part of the financial statements.

# Statements of cash flows

For year ended 31 December 2024

| | Note | Group 2024 £000 | 2023 £000 | Company 2024 £000 | 2023 £000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Loss for the year | | **(1,127)** | (1,050) | **(860)** | (317) |
| ***Adjustments for:*** | | | | | |
| Depreciation of property, plant and equipment | 9 | **334** | 161 | **–** | – |
| Depreciation of right of use assets | 10 | **241** | 185 | **–** | – |
| Amortisation of intangible assets | 11 | **609** | 523 | **–** | – |
| Profit on disposal of property, plant and equipment | | **(1)** | (4) | **–** | – |
| Profit on disposal of right of use assets | | **(15)** | – | **–** | – |
| Finance income | 5 | **(13)** | (33) | **(13)** | (20) |
| Finance expenses | 5 | **184** | 46 | **80** | 51 |
| Loss on investment disposal | 12 | **5** | – | **5** | – |
| Income tax (credit)/charge | 6 | **(309)** | (148) | **(191)** | 10 |
| **Operating cash flows before movement in working capital** | | **(92)** | (320) | **(979)** | (276) |
| Change in inventories | | **(64)** | 106 | **–** | – |
| Change in trade and other receivables | | **413** | – | **189** | 90 |
| Change in trade and other payables | | **(63)** | (159) | **502** | 817 |
| **Cash generated from/(used in) operations** | | **194** | (373) | **(288)** | 631 |
| Tax received | | **–** | 377 | **–** | – |
| **Net cash from/(used in) operating activities** | | **194** | 4 | **(288)** | 631 |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | 9 | **(243)** | (154) | **–** | – |
| Acquisition of intangible assets | 11 | **(11)** | (30) | **(11)** | – |
| Sale of property, plant and equipment | | **9** | 15 | **–** | – |
| Sale of right of use assets | | **15** | – | **–** | – |
| Interest received | 5 | **13** | 33 | **13** | 20 |
| Acquisition of investments | 8 | **(2,449)** | – | **(2,449)** | – |
| Cash with acquired business | | **462** | – | **–** | – |
| Capitalised development expenditure | 11 | **(304)** | (349) | **–** | – |
| **Net cash (outflow)/inflow from investing activities** | | **(2,508)** | (485) | **(2,447)** | 20 |
| **Cash flows from financing activities** | | | | | |
| Bank loan repaid | 17 | **–** | (125) | **–** | (125) |
| Interest paid on loans and borrowings | 5 | **(80)** | (3) | **(80)** | (51) |
| Principal paid on lease liabilities | 17 | **(278)** | (123) | **–** | – |
| Interest paid on lease liabilities | 17 | **(67)** | (32) | **–** | – |
| Other interest and foreign exchange | 5 | **(37)** | (11) | **–** | – |
| **Net cash outflow from financing activities** | | **(462)** | (294) | **(80)** | (176) |
| Net (decrease)/increase in cash and cash equivalents | | **(2,776)** | (775) | **(2,815)** | 475 |
| Total movement in cash and cash equivalents in the year | | **(2,776)** | (775) | **(2,815)** | 475 |
| Cash and cash equivalents at 1 January | | **1,241** | 2,016 | **604** | 129 |
| **Net cash and cash equivalents/(overdraft) at 31 December** | 16&17 | **(1,535)** | 1,241 | **(2,211)** | 604 |

The accompanying notes form an integral part of the financial statements.

# Notes

(forming part of the financial statements)

## 1 Accounting policies

Petards Group plc (the "Company") is a company incorporated in the UK.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

In the current financial year the Group has applied the following interpretations and amendments to standards: Amendments to IAS 1, IFRS 16, IAS 17, IAS 7 and IFRS 7 (effective for accounting periods beginning on or after 1 January 2024).

There is no material impact on the financial statements or the amounts reported from the adoption of these amendments to the standards.

### Statement of compliance

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with UK adopted international accounting standards and the parent company financial statements in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

### Basis of preparation

The consolidated financial statements are presented in GBP which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in compliance with UK adopted international accounting standards requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies.

### 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 transport networks and energy infrastructure. 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 2025 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 be 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 its available banking facilities. The Group has a £2.5 million overdraft facility that may be utilised for the Group's working capital purposes, and any other purpose which its bankers may approve, on an "evergreen" basis.

The Group has prepared working capital forecasts based on its 2025 budget updated for material known changes since it was prepared. The time period reviewed is to 30 June 2026. The forecasts also consider the potential impact of 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 June 2026. Accordingly, they have adopted the going concern basis in preparing these financial statements.

# Notes (continued)

(forming part of the financial statements)

## 1 Accounting policies continued

### Judgements and estimates

The preparation of financial statements requires the directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

### Key Judgements

(a) *Revenue recognition (note 2)*

The Group recognises revenue when it transfers control over a product or service to its customer. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Where a modification to an existing contract occurs, the Group assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied by the Group, or whether it is a modification to the existing performance obligation.

The Group applies judgements and estimates to its portfolio of contracts in order to identify specific performance obligations and the timing of transfer of control of a product or service to a customer. For Affini, there is a significant judgement and estimation applied in respect of the amount of revenue (and related contract asset) recognised in respect of contracts for services recognised over time. Amounts recognised are based on the output method of accounting with reference to work undertaking in accordance with the relevant contract and what is considered the relevant stage of completion.

(b) *Recognition of deferred tax assets (notes 6 and 13)*

The Group has substantial deferred tax assets. Determining how much of these assets can be recognised requires an assessment of the extent to which it is probable that future taxable profits will be available. This assessment is based on management's future assessment of the Group's financial performance and forecast financial information. If sufficient future taxable profits are not available, the value of the deferred tax asset will reduce by an amount equal to 25% of any shortfall. The assessment of the recoverability of tax losses includes expected and realistic utilisation of other available reliefs and allowances, but does not take into account deductible timing differences that may arise in future periods.

(c) *Impairment of intangible assets (note 11) and investments (note 12)*

The Group performs impairment reviews at the reporting period end to identify any intangible assets that have a carrying value that is in excess of its recoverable value. Determining the recoverability of an intangible asset requires judgement in both the methodology applied and the key variables within that methodology. Key variables in the analysis include projected revenue growth, anticipated margins, and the discount rate applied. Where it is determined that an intangible asset is impaired, its carrying value will be reduced to its recoverable value with the difference recorded as an impairment charge in the income statement.

Sensitivity analysis has been performed on the key assumptions for discount rate and forecast future cashflows to determine when impairment would occur.

The Company performs impairment reviews at the reporting period end to identify any investments that have a carrying value that is in excess of its fair value. Determining the value in use of an investment requires judgement in both the methodology applied and the key variables within that methodology. Where it is determined that an investment is impaired, its carrying value will be reduced to the higher of its value in use or fair value less costs of disposal with the difference recorded as an impairment charge in the income statement.

(d) *Capitalised development expenditure (note 11)*

This involves judgement in the identification of development expenditure which is appropriate to capitalise and which is recoverable through future product revenue, together with an assessment of the estimated useful economic life of any asset recognised. Assets recognised in this way are also subject to impairment reviews.

## 1 Accounting policies continued

The estimates and associated assumptions are based on forecasts of future product revenues, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The impact should the actual useful economic lives of one or more of the products be shorter than estimated would be an additional amortisation charge at that time. The conservative nature of the rail industry, and the long asset lives of the rail vehicles to which the Group's products are fitted, has historically meant that no material adjustments of this nature have been required. At 31 December 2024 the net book value of capitalised development expenditure was £1,523,000 *(2023: £1,716,000)*.

*(e) Accounting for business combinations and valuation of intangibles (note 8)*

Intangible assets arising from business combinations are accounted for at fair value at the date of acquisition. The valuation of goodwill and acquired intangibles is calculated separately on each individual acquisition. In attributing value to intangible assets arising on acquisition, management has made certain assumptions in relation to the expected growth rates, profitability, length of key customer relationships and the appropriate weighted average cost of capital. The value attributable to the intangible assets acquired on acquisitions also impacts the deferred tax provision relating to these items.

The total carrying value of acquired intangible assets arising from business combinations in the year is £208,000. The length of customer relationships is estimated by considering the length of time the acquiree has had its significant client relationships up to the date of acquisition and historic customer attrition rates as appropriate. The directors consider the resulting valuations used give a reasonable approximation as to the value of the intangibles acquired and that any reasonably possible change in any one of the estimations in isolation would not have a material impact on the financial statements. The directors undertake an annual impairment review of goodwill to assess the carrying value is still supported by the cash flows from the CGU.

*Basis of consolidation*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated when preparing the consolidated financial information.

*Foreign currency*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

*Classification of financial instruments issued by the Group*

In accordance with IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

# Notes (continued)

(forming part of the financial statements)

## 1 Accounting policies continued

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of financial expenses. Finance payments associated with financial instruments that are classified in equity are treated as distributions and are recorded directly in equity.

*Investments in subsidiaries*
Investments in subsidiaries are carried at cost less impairment in the Company Statement of financial position.

*Derivative financial instruments*
Derivative financial instruments are recognised both initially and subsequently at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

*Intra-group financial guarantee contracts*
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

*Property, plant and equipment*
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

| | |
|---|---|
| Leasehold improvements | life of lease straight line |
| *Plant and equipment:* | |
| Plant and equipment | 3 - 10 years |
| Computer equipment | 3 - 5 years |
| Furniture and fittings | 3 - 5 years |
| Motor vehicles | 4 - 5 years |

The residual values and useful economic lives are reassessed annually.

*Business combinations*
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

*Acquisitions on or after 1 January 2010*
For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

## 1 Accounting policies continued

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

*Research and development*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on activities for the development of new or substantially improved products is capitalised if the product is technically and commercially feasible, and the Group has the technical ability and has sufficient resources to complete development and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Development expenditure not meeting the above criteria is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Internally generated development expenditure is amortised on a straight line basis over the period which the directors expect to obtain economic benefits (typically 3 to 8 years from the asset being available for use). Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

*Other intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

*Amortisation*

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

| | |
|---|---|
| Technology related assets | 4 - 10 years |
| Customer related assets | 3 - 7.5 years |

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank borrowings that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

*Impairment*

The carrying amounts of the Group's assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill is allocated to cash generating units and is tested annually for impairment and more frequently if there are indications of impairment.

# Notes (continued)

(forming part of the financial statements)

## 1 Accounting policies continued

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

*Reversals of impairment*

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of other assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

*Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

*Employee benefits*

*Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as service is provided.

*Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Share-based payment transactions*

Options granted under the Group's employee share schemes are equity settled. The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

*Treasury shares*

Treasury shares are held as a deduction from equity and are held at cost price.

*Exceptional items*

Exceptional items are items of income and expenditure that are individually material due to size or incidence that the directors consider require separate disclosure in order for the reader to obtain a full understanding of the performance of the Group in the year.

*Provisions*

A provision is recognised in the Statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate.

*Financial assets and liabilities*

*Classification and measurement*

The Group classifies its financial instruments in accordance with IFRS 9 Financial Instruments.

The Group has no derivative financial instruments either designated as cash flow hedges or not qualifying for hedge accounting.

## 1 Accounting policies continued

*Impairment of financial assets*
The Group has two types of financial assets that are subject to IFRS 9's expected credit loss model:

- trade and other receivables; and
- contract receivables.

The Company has one type of financial asset that is subject to IFRS 9's expected credit loss model:

- amounts owed by group undertakings in respect of the Company.

Trade and other receivables and contract receivables do not contain a significant financing element and therefore expected credit losses are measured using the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

The Group has assessed credit risk in relation to defence-related sales to government customers or sub-contractors to governments and believes it to be extremely low, therefore no expected credit loss provision is required for these trade and other receivables, or contract receivables. The Group also considers expected credit losses for non-government commercial customers, however this risk is not expected to be material to the financial statements.

Impairment provisions in respect of amount owed by group undertakings are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

*Classification*
The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

*Measurement*
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The Group subsequently measures trade and other receivables, amounts owed by group undertakings in respect of the Company and contract receivables at amortised cost.

*Impairment*
For trade and other receivables, contract receivables and amounts due from equity accounted investments, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

# Notes (continued)

(forming part of the financial statements)

## 1 Accounting policies continued

*Financial liabilities*
Financial liabilities include the following items:

Bank borrowings are initially recognised at fair value net of any directly attributable transaction costs. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

*Revenue from contracts with customers*
Revenue represents income derived from contracts for the provision of goods and services by the Group to customers in exchange for consideration in the ordinary course of the Group's activities. Revenue is stated net of VAT, discounts and rebates.

*Performance obligations*
Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

*Transaction price*
At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices. Given the bespoke nature of many of the Group's products and services, which are designed and/or manufactured under contract to the customer's individual specifications, there are sometimes no observable stand-alone selling prices. Instead, stand-alone selling prices are typically estimated based on expected costs plus contract margin consistent with the Group's pricing principles.

*Revenue and profit recognition*
*Revenue recognised at a point in time*
Revenue is recognised as performance obligations are satisfied and control of the goods or services is transferred to the customer.

The majority of the Group's revenue is derived from selling goods with revenue recognised at the point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession and usually will have a present right to payment and retains none of the significant risks and rewards of the goods in question.

A small minority of contracts are negotiated on a bill and hold basis. In such arrangements revenue is recognised even though the Group still has physical possession only if:

- the arrangement is substantive (i.e. requested by the customer);
- the finished goods have been identified separately as belonging to the customer;
- the product is ready for physical transfer to the customer; and
- the Group does not have the ability to use the product to direct it to another customer.

## 1 Accounting policies continued

Some goods sold by the Group include warranties which require the Group to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

*Revenue recognised over time*
Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

*Rendering of maintenance and similar services*
Service and maintenance support contracts where the customer simultaneously receives and consumes the benefit provided by the Group's performance are recognised on a straight line basis over the period of the contract.

*Software licences*
The Group sells software licences either separately or together with other goods and services. Revenue recognition in respect of software licences sold as part of a bundle of goods and services is considered separately when the licence is determined to be a separate performance obligation. Software licences either represent a right to access the Group's intellectual property as it exists throughout the licence period or a right to use the Group's intellectual property as it exists at the point in time at which the licence is granted. Revenue in respect of right to access licences is recognised over the licence term and revenue in respect of right to use licences is recognised upfront on delivery to the customer.

*Rendering of project services*
For contracts for the provision of certain software development, the Group recognises revenue using an input method, based on costs incurred in the period.

Where project revenue for system installation services for large projects is recognised over time the Group recognises revenue using an output method with regards to completion of performance obligation milestones.

Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs, after making suitable allowances for technical and other risks.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

*Contract modifications*
The Group's contracts are sometimes amended for changes in customers' requirements and specifications. A contract modification exists when the parties to the contract approve a modification that either changes existing or creates new enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress towards the satisfaction of the performance obligation to which it relates is recognised in one of the following ways:

(a) prospectively as an additional, separate contract;

(b) prospectively as a termination of the existing contract and creation of a new contract; or

(c) as part of the original contract using a cumulative catch up.

# Notes (continued)

(forming part of the financial statements)

## 1 Accounting policies continued

The majority of the Group's contract modifications are treated under either (a) (for example, the requirement for additional distinct goods or services) or (b) (for example, a change in the specification of the distinct goods or services for a partially completed contract), although the facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract-by-contract and may result in different accounting outcomes.

*Costs to obtain a contract*

The Group expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded. The Group does not typically incur costs to obtain contracts that it would not have incurred had the contracts not been awarded.

*Costs to fulfil a contract*

Contract fulfilment costs in respect of over time contracts are expensed as incurred. Contract fulfilment costs in respect of point in time contracts are accounted for under IAS 2 Inventories.

*Inventories*

Inventories include raw materials, work-in-progress and finished goods recognised in accordance with IAS 2 in respect of contracts with customers which have been determined to fulfil the criteria for point in time revenue recognition under IFRS 15. It also includes inventories for which the Group does not have a contract. This is often because fulfilment costs have been incurred in expectation of a contract award. Other than it's ANPR products the Group does not typically build inventory to stock. Inventories are stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

*Contract receivables*

Contract receivables represent amounts for which the Group has an unconditional right to consideration in respect of unbilled revenue recognised at the reporting date and comprises costs incurred plus attributable margin.

*Contract liabilities*

Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

*Right of use assets and leases*

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and any lease payments made at or before the lease commencement date, less any lease incentives received. The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot readily be determined, the incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is re-measured, a corresponding adjustment is made to the right of use asset.

Judgements are involved in determining the lease term, particularly if extension or termination options are included in property leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to extend or terminate a property lease. Termination options are only included in the lease term if it is reasonably certain that the lease will be terminated. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs that is within the control of the Group.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets with a value of less than £5,000 when new, typically small items of IT equipment, office equipment and office furniture.

## 1 Accounting policies *continued*

*Expenses*

*Operating lease payments*

In applying paragraph 6 of IFRS 16, short-term leases and leases for low-value assets are not recognised as lease liabilities with a corresponding right of use asset. Payments under such leases are recognised in the income statement on a straight line basis over the term of the lease.

*Finance income*

Financial income comprises interest receivable on funds invested, and foreign exchange gains. Interest income is recognised in the income statement as it accrues using the effective interest method.

*Finance expenses*

Financial expenses comprise interest payable on borrowings, interest on leases and foreign exchange losses.

*Taxation*

Income tax on the profit or loss for the period comprises both current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

## 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 Statement of financial 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 advanced technology for security, surveillance, and ruggedised electronic applications.

As the Board of Directors receives revenue, adjusted EBITDA and operating (loss)/profit on the same basis as set out in the consolidated income statement and given the Group's products, services and customers demonstrate similar characteristics, no further reconciliation or disclosure is considered necessary.

Revenue by geographical destination can be analysed as follows:

| | **2024 £000** | 2023 £000 |
|---|---|---|
| United Kingdom | **11,872** | 9,187 |
| Continental Europe | **57** | 114 |
| Rest of World | **87** | 123 |
| | **12,016** | 9,424 |

# Notes (continued)

(forming part of the financial statements)

## 2 Segmental information continued

The timing of revenue recognition can be analysed as follows:

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Products and services transferred at a point in time | **8,812** | 7,950 |
| Products and services transferred over time | **3,204** | 1,474 |
| | **12,016** | 9,424 |

Details of the revenues relating to the Group's main customers in the year are given in note 15.

## 3 Operating expenses

*Loss before tax is stated after charging:*

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Amortisation of intangibles | **609** | 523 |
| Depreciation of property, plant and equipment | **334** | 161 |
| Depreciation of right of use assets | **241** | 185 |
| Development costs expensed directly to income | **37** | 19 |
| Net write down of inventories | **113** | 62 |

| **Auditor's remuneration:** | 2024 £000 | 2023 £000 |
|---|---|---|
| Audit of these financial statements | **30** | 29 |
| Amounts receivable by the Company's auditor and its associates in respect of: | | |
| Audit of financial statements of subsidiaries pursuant to legislation | **118** | 79 |
| Transaction services | **28** | – |

The fees relating to transaction services in 2024 were incurred prior to the appointment of HaysMac LLP as auditors.

The auditor's remuneration disclosed for 2023 was paid to the Company's previous auditors BDO LLP.

## 4 Staff numbers and costs

The aggregate payroll costs, including directors, were as follows:

| | Group | |
|---|---|---|
| | 2024 £000 | 2023 £000 |
| Wages and salaries | **5,359** | 3,868 |
| Social security costs | **608** | 424 |
| Other pension costs (note 19) | **227** | 169 |
| | **6,194** | 4,461 |

## 4 Staff numbers and costs continued

The monthly average number of employees during the year (including directors) was as follows:

| | Group | |
|---|---|---|
| | **2024** | 2023 |
| | **Number** | Number |
| Direct labour | **47** | 39 |
| Development | **13** | 14 |
| Sales | **15** | 6 |
| Administration | **37** | 28 |
| | **112** | 87 |

Directors' remuneration

| | **2024** | 2023 |
|---|---|---|
| | **£000** | £000 |
| Directors' emoluments | **554** | 444 |
| Company contributions to defined contribution pension schemes | **–** | – |
| | **554** | 444 |

The aggregate of emoluments of the highest paid director was £220,000 *(2023: £162,000)*.

| | **Salaries and fees** | | **Bonuses** | | **Other benefits** | | **Total** | Total |
|---|---|---|---|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| **Name of Director** | **£000** | £000 | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| R Abdullah | **176** | 157 | **36** | – | **5** | 4 | **217** | 161 |
| O Abdullah | **176** | 157 | **36** | – | **8** | 5 | **220** | 162 |
| J Wakefield | **25** | 23 | **–** | – | **–** | – | **25** | 23 |
| G Davies | **37** | 4 | **–** | – | **–** | – | **37** | 4 |
| P Negus* | **55** | 63 | **–** | – | **–** | 1 | **55** | 64 |
| T Connolly | **–** | 30 | **–** | – | **–** | – | **–** | 30 |
| | **469** | 434 | **72** | – | **13** | 10 | **554** | 444 |

* Included fees for the services of P Negus payable to Adcel Limited of £36,000 (2023: £5,000).

The bonuses paid in the year related to the successful completion of the acquisition of Affini Technology Group Ltd.

No directors are accruing rights to shares under long term incentive schemes.

| | **2024** | 2023 |
|---|---|---|
| | **Number** | Number |
| Number of directors exercising share options | **–** | – |
| Number of directors accruing benefits under a defined contribution pension scheme | **1** | 1 |

# Notes (continued)

(forming part of the financial statements)

## 4 Staff numbers and costs continued

Directors' rights to subscribe for shares in the Company are as follows:

| Director | At start of year Number of shares | At end of year Number of shares | Exercise price (pence) |
|---|---|---|---|
| R Abdullah | 1,425,000 | 1,425,000 | 12.25p – 21.5p |
| O Abdullah | 2,737,500 | 1,425,000 | 12.25p – 21.5p |
| P Negus | 300,000 | 300,000 | 21.5p |

Further details of movement in rights to subscribe for shares are included in the Remuneration Report, under the heading 'Directors' Interests in Share Options', which forms part of these audited financial statements.

## 5 Finance income and expenses

| | 2024 £000 | 2023 £000 |
|---|---|---|
| **Recognised in profit or loss** | | |
| Interest on bank deposits | 13 | 20 |
| Other Interest | – | 13 |
| Finance income | 13 | 33 |

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Interest expense on financial liabilities at amortised cost | – | 3 |
| Interest expense on lease liabilities | 67 | 32 |
| Interest paid on loans and borrowings | 80 | – |
| Other interest payable | 28 | – |
| Other exchange loss | 9 | 11 |
| Finance expenses | 184 | 46 |

## 6 Taxation

**Recognised in the income statement**

| | 2024 £000 | 2024 £000 | 2023 £000 | 2023 £000 |
|---|---|---|---|---|
| *Current tax (credit)/expense* | | | | |
| Current tax charge | 4 | | 29 | |
| Adjustments in respect of prior years (see note below) | (124) | | (312) | |
| Total current tax | | (120) | | (283) |
| *Deferred tax (credit)/expense* | | | | |
| Origination and reversal of temporary differences | (140) | | (7) | |
| Derecognition of previously recognised losses | – | | 20 | |
| Recognition of previously unrecognised losses | (75) | | (57) | |
| Utilisation of recognised tax losses | 34 | | 51 | |
| Recognition of current year losses | (181) | | – | |
| Adjustment in respect of prior years | 173 | | 128 | |
| Total deferred tax | | (189) | | 135 |
| Total tax credit in income statement | | (309) | | (148) |

The £126,000 credit to current tax in respect of prior years predominantly relates to the surrender of previously unrecognised enhanced tax deductions for R&D tax credits. These claims are recognised when receipt is determined to be probable.

**Reconciliation of effective tax rate**

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Loss before tax | (1,436) | (1,198) |
| Tax using the UK corporation tax rate of 25% *(2023: 23.5%)* | (359) | (282) |
| Items not deductible for tax purposes | 66 | 136 |
| Recognition of previously unrecognised tax assets | (75) | – |
| Utilisation of previously unrecognised tax assets | (77) | (63) |
| Adjustments in respect of prior years | 49 | (185) |
| Effect of differential tax rate for deferred tax | – | 5 |
| Effect of tax losses generated in the year not recognised | 113 | 224 |
| De-recognition of previously recognised losses | – | 20 |
| Change in unrecognised temporary differences | (26) | (3) |
| Total tax credit | (309) | (148) |

*Factors that may affect future current and total tax charges*

There are no factors that may affect future current and total tax charges. Recognised tax losses are presented in note 13.

# Notes (continued)

(forming part of the financial statements)

## 7 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.

| | **2024** | 2023 |
|---|---|---|
| **Earnings** | | |
| Loss for the year (£000) | **(1,127)** | (1,050) |
| **Number of shares** | | |
| Weighted average number of ordinary shares ('000) | **58,817** | 56,528 |
| **Basic and diluted loss per share (pence)** | **(1.91)** | (1.86) |

As the diluted loss per share would be anti-dilutive, the diluted loss per share is the same as the basic loss per share.

## 8 Business Combinations

On 13 June 2024, the Group completed the acquisition of 100% of the share capital of Affini Technology Group Limited ("ATGL") and therefore indirectly its wholly owned subsidiary, Affini Technology Limited ("Affini") (together "Affini Group") for total consideration of £2,853,000. The consideration was made up of £2,449,000 of cash, £326,000 equity issued and £78,000 of contingent consideration. Affini Group is a UK based critical communications solutions provide to the transport, blue light, energy, defence and construction sectors.

The principal reason for the acquisition was to further diversify the Group's presence in key markets, particularly in aviation and the energy markets, introducing new capabilities and services and to strengthen the Group's recurring revenue base.

In the period from 13 June 2024 to 31 December 2024, the acquired business contributed £4.1 million to the Group's revenues and a profit of £0.2 million to the Group's comprehensive loss. If the acquisition had occurred on 1 January 2024, Group revenue would have been £13.9 million and the Group's comprehensive loss would have been £1.2 million.

The following table summarises the fair value of assets acquired, and liabilities assumed at the acquisition date:

| | **Fair Value recognised on acquisition £000** |
|---|---|
| Intangible assets - Customer relationships | 224 |
| Property, plant and equipment | 625 |
| Right of use assets | 289 |
| Deferred tax asset | 165 |
| Trade and other receivables | 1,489 |
| Cash | 462 |
| Trade and other payables | (1,483) |
| Lease liabilities | (304) |
| Deferred tax liability | (56) |
| **Total fair value** | **1,411** |
| Consideration | 2,853 |
| **Goodwill** | **1,442** |

The fair values include recognition of intangible assets related to Affini customer relationships of £224,000, which will be amortised over 6.5 years on a straight line basis. The goodwill of £1,442,000 comprises the potential value of new customers as well as the value of the workforce in place, which are not separately recognised.

## 9 Property, plant and equipment – Group

| | Leasehold improvements £000 | Plant and equipment £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2023 | 289 | 2,174 | 92 | 2,555 |
| Additions | 22 | 105 | 27 | 154 |
| Asset transfer | | 79 | – | 79 |
| Disposals | – | (7) | (35) | (42) |
| Balance at 31 December 2023 | 311 | 2,351 | 84 | 2,746 |
| Balance at 1 January 2024 | 311 | 2,351 | 84 | 2,746 |
| Additions | – | 119 | 124 | 243 |
| Acquisition of business | 67 | 2,548 | 54 | 2,669 |
| Disposals | – | (5) | (26) | (31) |
| **Balance at 31 December 2024** | **378** | **5,013** | **236** | **5,627** |
| **Depreciation and impairment** | | | | |
| Balance at 1 January 2023 | 288 | 1,635 | 39 | 1,962 |
| Depreciation charge for the year | 3 | 140 | 18 | 161 |
| Disposals | – | (5) | (27) | (32) |
| Balance at 31 December 2023 | 291 | 1,770 | 30 | 2,091 |
| Balance as 1 January 2024 | 291 | 1,770 | 30 | 2,091 |
| Acquisition of business | 52 | 1,977 | 15 | 2,044 |
| Depreciation charge for the year | 6 | 280 | 48 | 334 |
| Disposals | – | (5) | (18) | (23) |
| **Balance at 31 December 2024** | **349** | **4,022** | **75** | **4,446** |
| **Net book value** | | | | |
| At 1 January 2023 | 1 | 539 | 53 | 593 |
| At 31 December 2023 and 1 January 2024 | 20 | 581 | 54 | 655 |
| **At 31 December 2024** | **29** | **991** | **161** | **1,181** |

# Notes (continued)

(forming part of the financial statements)

## 9 Property, plant and equipment – Company

| | Plant and equipment £000 |
|---|---|
| **Cost** | |
| Balance at 1 January 2023, 31 December 2023 and 1 January 2024 | 5 |
| **Balance at 31 December 2024** | **5** |
| **Depreciation and impairment** | |
| Balance at 1 January 2023, 31 December 2023 and 1 January 2024 | 5 |
| **Balance at 31 December 2024** | **5** |
| **Net book value** | |
| At 1 January 2023 | – |
| At 31 December 2023 and 1 January 2024 | – |
| **At 31 December 2024** | **–** |

## 10 Right of use assets – Group

| Assets | Land and buildings £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2023 | 708 | 98 | 806 |
| Additions | 638 | 2 | 640 |
| Disposals | (500) | – | (500) |
| Balance at 31 December 2023 | 846 | 100 | 946 |
| Balance at 1 January 2024 | 846 | 100 | 946 |
| Additions | 75 | 22 | 97 |
| Acquisition of business | 465 | – | 465 |
| Disposals | – | (49) | (49) |
| **Balance at 31 December 2024** | **1,386** | **73** | **1,459** |
| **Depreciation** | | | |
| Balance as 1 January 2023 | 524 | 46 | 570 |
| Depreciation charge for the year | 161 | 24 | 185 |
| Disposals | (500) | – | (500) |
| Balance at 31 December 2023 | 185 | 70 | 255 |
| Balance as 1 January 2024 | 185 | 70 | 255 |
| Depreciation charge for the year | 226 | 15 | 241 |
| Acquisition of business | 176 | – | 176 |
| Disposals | – | (49) | (49) |
| **Balance at 31 December 2024** | **587** | **36** | **623** |
| **Net book value** | | | |
| At 1 January 2023 | 184 | 52 | 236 |
| At 31 December 2023 and 1 January 2024 | 661 | 30 | 691 |
| **At 31 December 2024** | **799** | **37** | **836** |

The Company has no right of use assets.

# Notes (continued)

(forming part of the financial statements)

## 10 Right of use assets – Group continued

| | Land and buildings £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|
| **Lease liabilities** | | | |
| Balance at 1 January 2023 | 158 | 56 | 214 |
| Additions | 639 | 2 | 641 |
| Interest expense | 30 | 2 | 32 |
| Reclassifications | 4 | (4) | – |
| Lease payments | (130) | (25) | (155) |
| Balance at 31 December 2023 | 701 | 31 | 732 |
| Balance at 1 January 2024 | 701 | 31 | 732 |
| Additions | 75 | 22 | 97 |
| Acquisition of business | 304 | | 304 |
| Interest expense | 65 | 2 | 67 |
| Lease payments | (327) | (18) | (345) |
| **Balance at 31 December 2024** | **818** | **37** | **855** |
| Payable within one year (note 17) | 284 | 19 | 303 |
| Payable after more than one year (note 17) | 534 | 18 | 552 |
| **Balance at 31 December 2024** | **818** | **37** | **855** |
| Payable within one year (note 17) | 206 | 15 | 221 |
| Payable after more than one year (note 17) | 495 | 16 | 511 |
| Balance at 31 December 2023 | 701 | 31 | 732 |

## 11 Intangible assets – Group

| | Customer related intangibles £000 | Technology related intangibles £000 | Goodwill £000 | Development costs £000 | Asset under construction £000 | IT Assets £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance at 1 January 2023 | 178 | 598 | 1,488 | 4,294 | 220 | – | 6,778 |
| Additions | – | – | – | 349 | – | 29 | 378 |
| Asset transfer | – | – | – | – | (220) | 141 | (79) |
| Balance at 31 December 2023 | 178 | 598 | 1,488 | 4,643 | – | 170 | 7,077 |
| Balance at 1 January 2024 | 178 | 598 | 1,488 | 4,643 | – | 170 | 7,077 |
| Acquisition of business | 224 | – | 1,442 | – | – | – | 1,666 |
| Additions | – | – | – | 304 | – | 11 | 315 |
| **Balance at 31 December 2024** | **402** | **598** | **2,930** | **4,947** | **–** | **181** | **9,058** |
| **Amortisation and impairment** | | | | | | | |
| Balance at 1 January 2023 | 178 | 286 | – | 2,485 | – | – | 2,949 |
| Amortisation charge for the year | – | 62 | – | 442 | – | 19 | 523 |
| Balance at 31 December 2023 | 178 | 348 | – | 2,927 | – | 19 | 3,472 |
| Balance as 1 January 2024 | 178 | 348 | – | 2,927 | – | 19 | 3,472 |
| Amortisation charge for the year | 16 | 62 | – | 497 | – | 34 | 609 |
| **Balance at 31 December 2024** | **194** | **410** | **–** | **3,424** | **–** | **53** | **4,081** |
| At 1 January 2023 | – | 312 | 1,488 | 1,809 | 220 | – | 3,829 |
| At 31 December 2023 and 1 January 2024 | – | 250 | 1,488 | 1,716 | – | 151 | 3,605 |
| **At 31 December 2024** | **208** | **188** | **2,930** | **1,523** | **–** | **128** | **4,977** |

Development costs relate to the ongoing development of the Group's rail and ANPR products. This includes an amount of £304,000 *(2023: £261,000)* for which amortisation has not yet commenced.

### Amortisation

The amortisation charge is recognised within administrative expenses in the income statement. The remaining useful lives of intangible assets range from one year to 6.5 years.

### Impairment testing

The Group considers that for the purpose of goodwill impairment testing it has four cash generating units (CGUs) involved in the development, supply and maintenance of technologies used in advanced security, surveillance, web-based real-time safety critical integrated software applications and ruggedised electronic applications.

Goodwill has been allocated to cash generating units as follows:

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Petards Joyce-Loebl | **219** | 219 |
| QRO Solutions | **488** | 488 |
| RTS Solutions | **781** | 781 |
| Affini Technology | **1,442** | – |
| | **2,930** | 1,488 |

# Notes (continued)

(forming part of the financial statements)

## 11 Intangible assets – Group continued

Impairment is tested by calculating its value in use by reference to discounted cash flow forecasts over a five year period. The key assumptions for the value in use calculation are those regarding the growth rates, discount rates and expected changes in profit margins during the period. These are based on the approved budget for 2025 and an assumption of 2% growth thereafter applied in perpetuity (2023: approved forecasts for the next year and an assumption of no growth thereafter, applied in perpetuity) and are based on the forecast profit margin being maintained (2023: profit margin maintained). The discount rate applied is 11% (2023: 12%).

For Petards Joyce-Loebl the discount rate would have to increase to 20% before there is an impairment. Net present value of cash flows in excess of carrying value provide headroom of 48% before impairment.

For QRO Solutions the discount rate would have to increase to 86% before there is an impairment. Net present value of cash flows in excess of carrying value provide headroom of 89% before impairment.

For RTS Solutions the discount rate would have to increase to 33% before there is an impairment. Net present value of cash flows in excess of carrying value provide headroom of 70% before impairment.

For Affini Technology the discount rate would have to increase to 28% before there is an impairment. Net present value of cash flows in excess of carrying value provide headroom of 66% before impairment.

## 12 Investments

The Group and Company have the following investments in subsidiary undertakings:

| Name of company | Country of operation and registration | Nature of business | Company Number | Holding | Proportion held Group | Proportion held Company |
|---|---|---|---|---|---|---|
| Petards Joyce-Loebl Limited | England (2) | Specialist electronic systems | 2170100 | Ordinary shares | 100% | 100% |
| Affini Technology Limited* | England (3) | Wireless communications | 04574231 | Ordinary shares | 100% | 100% |
| Affini Technology Group Limited* | England (3) | Non-trading | 14056986 | Ordinary shares | 100% | 100% |
| QRO Solutions Limited | England (1) | Specialist electronic systems | 04118351 | Ordinary shares | 100% | 100% |
| RTS Solutions (UK) Limited | England (1) | Specialist electronic systems | 06173058 | Ordinary shares | 100% | 100% |
| RTS Solutions (Holdings) Limited* | England (1) | Non-trading | 09199052 | Ordinary shares | 100% | 100% |
| Water Hall Group plc* | England (1) | Non-trading | 00438328 | Ordinary shares | 100% | 100% |
| Petards Limited* | England (2) | Dormant | 02301063 | Ordinary shares | 100% | 100% |
| Joyce-Loebl Group Limited* | England (2) | Dormant | 03588387 | Ordinary shares | 100% | 100% |
| Petards International Limited* | England (2) | Dormant | 04122370 | Ordinary shares | 100% | 100% |

Registered offices:
(1) Parallel House, 32 London Road, Guildford, GU1 2AB
(2) 390 Princesway, Team Valley, Gateshead, Tyne and Wear, NE11 0TU
(3) Stonebridge House Padbury Oaks, Bath Road, West Drayton, UB7 0EW
* Exempt from audit for the year ended 31 December 2024 by virtue of S479a of Companies Act 2006.

## 12 Investments continued

| Company | Shares in subsidiary undertakings £000 |
|---|---|
| **Cost** | |
| Balance at 1 January 2023 and 31 December 2023 | 17,190 |
| Balance at 1 January 2024 | 17,190 |
| Acquisition of business | 2,853 |
| Disposal | (5) |
| **Balance at 31 December 2024** | **20,038** |
| **Provisions for impairment in value** | |
| Balance at 1 January 2023, 31 December 2023 and 1 January 2024 | 4,334 |
| **Balance at 31 December 2024** | **4,334** |
| **Net book value** | |
| At 1 January 2023 and 31 December 2023 | 12,856 |
| **At 31 December 2024** | **15,704** |

The disposal in the year related to a small minority shareholding in a private technology company acquired in 2020.

The Group has conducted impairment reviews for each of its cash-generating units (CGUs) estimating future discounted cash flows to be generated from each CGU. The directors believe there is no impairment based upon the assumptions used in the value in use model as disclosed in note 11 for impairment analysis of the carrying value of investments.

## 13 Deferred tax assets and liabilities

### Group

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

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 |
| Property, plant and equipment | **–** | – | **(7)** | (114) | **(7)** | (114) |
| Provisions | **4** | 6 | **–** | – | **4** | 6 |
| Tax value of loss carry-forwards | **1,034** | 964 | **–** | – | **1,034** | 964 |
| Intangible fixed assets | **–** | – | **(263)** | (386) | **(263)** | (386) |
| Tax assets/(liabilities) | **1,038** | 970 | **(270)** | (500) | **768** | 470 |
| Offset of tax | **(270)** | (500) | **270** | 500 | **–** | – |
| Net deferred tax assets | **768** | 470 | **–** | – | **768** | 470 |

The deferred tax assets are expected to be recovered against future taxable profits, within 4.5 years.

# Notes (continued)

(forming part of the financial statements)

## 13 Deferred tax assets and liabilities continued

Unrecognised deferred tax assets are attributable to the following:

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Property, plant and equipment | **153** | 272 |
| Provisions | **4** | – |
| Tax value of loss carry-forwards | **3,061** | 2,009 |
| Unrecognised tax assets | **3,218** | 2,281 |

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

Movement in deferred tax during the year

| | 1 January 2024 £000 | Acquisition of business £000 | Recognised in income £000 | 31 December 2024 £000 |
|---|---|---|---|---|
| Property, plant and equipment | **(114)** | **18** | **89** | **(7)** |
| Provisions | **6** | **–** | **(2)** | **4** |
| Tax value of loss carry-forwards | **964** | **–** | **70** | **1,034** |
| Intangible fixed assets | **(386)** | **91** | **32** | **(263)** |
| | **470** | **109** | **189** | **768** |

Movement in deferred tax during the prior year.

| | 1 January 2023 £000 | Recognised in income £000 | 31 December 2023 £000 |
|---|---|---|---|
| Property, plant and equipment | (66) | (48) | (114) |
| Provisions | 7 | (1) | 6 |
| Tax value of loss carry-forwards | 931 | 33 | 964 |
| Intangible fixed assets | (353) | (33) | (386) |
| | 519 | (49) | 470 |

**Company**

Recognised deferred tax assets are attributable to the following:

| | Assets 2024 £000 | Assets 2023 £000 |
|---|---|---|
| Tax value of loss carry-forwards | **356** | 156 |
| Provision | **–** | 2 |
| Property, plant and equipment | **16** | 23 |
| Tax assets | **372** | 181 |

There are no unrecognised deferred tax assets (2023: none).

## 14 Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **£000** | £000 | **£000** | £000 |
| Raw materials and consumables | **1,676** | 1,595 | **–** | – |
| Work in progress | **123** | 140 | **–** | – |
| | **1,799** | 1,735 | **–** | – |

The directors consider all inventories to be essentially current in nature although the duration of certain contracts is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine this amount with precision as this is dependent on several matters including future order volumes, the timing of project milestones and customer call off schedules.

Inventories recognised as cost of sales in the year amounted to £2,118,000 *(2023: £2,848,000)*. At 31 December 2024 inventories are shown net of provisions of £632,000 *(2023: £518,000)*.

## 15 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **£000** | £000 | **£000** | £000 |
| Trade receivables | **2,254** | 2,104 | **–** | – |
| Contract assets | **400** | – | **–** | – |
| Amounts owed by group undertakings | **–** | – | **240** | 455 |
| Corporation tax recoverable | **–** | – | **–** | – |
| Other receivables | **418** | 69 | **21** | – |
| Prepayments and accrued income | **447** | 151 | **97** | 15 |
| | **3,519** | 2,324 | **358** | 470 |

At 31 December 2024 trade receivables included retentions of £192,000 all of which have been recovered since year end *(2023: £451,000)*.

### Contract assets

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **£000** | £000 | **£000** | £000 |
| At 1 January | **–** | – | **–** | – |
| Acquisition of business | **400** | – | **–** | – |
| Incurred in the year | **2,438** | – | **–** | – |
| Invoiced in the year | **(2,438)** | – | **–** | – |
| At 31 December | **400** | – | **–** | – |

# Notes (continued)

(forming part of the financial statements)

## 15 Trade and other receivables continued

The Group has a variety of credit terms depending on the customer and these generally range from 14 to 60 days. The majority of the Group's sales are made to government agencies and blue chip companies and consequently have very low historical default rates. At each reporting date the Group assesses credit risk by considering reasonable and supportable information that may indicate increases in credit risk. Indicators that an asset carries a higher credit risk compared to that at inception or that an asset is credit-impaired would include observable data in relation to the financial health of the debtor: significant financial difficulty of the issuer or the debtor; the debtor breaching contract; it being probable that the debtor will enter bankruptcy or financial reorganisation. The amount of credit risk provision is the difference between the original carrying amount and the recoverable amount, being the present value of expected cash flows receivable (discounted using the original effective interest rate). The amount of the provision is recognised in the income statement within administrative expenses.

The ageing of trade receivables at the reporting date was:

| | | Group | |
|---|---|---|---|
| | **2024 Gross trade receivables £000** | **2024 Credit note provision £000** | **2024 Net trade receivables £000** |
| **Group** | | | |
| Not past due date | **1,620** | **–** | **1,620** |
| Past due date (0-90 days) | **508** | **–** | **508** |
| Past due date (over 90 days) | **199** | **(73)** | **126** |
| | **2,327** | **(73)** | **2,254** |

| | | Group | |
|---|---|---|---|
| | 2023 Gross trade receivables £000 | 2023 Credit note provision £000 | 2023 Net trade receivables £000 |
| **Group** | | | |
| Not past due date | 1,298 | – | 1,298 |
| Past due date (0-90 days) | 780 | – | 780 |
| Past due date (over 90 days) | 26 | – | 26 |
| | 2,104 | – | 2,104 |

Management has no indication that any unimpaired amounts will be irrecoverable.

In 2024 revenues from one customer exceeded 10% of the Group's revenues being for £1,515,000 *(2023: Two customers: £1,564,000 and £1,042,000)* of which £274,000 (2023: £771,000) relating to that customer was outstanding at year end.

At 31 December 2024 trade receivables are shown net of an allowance for credit notes of £73,000 *(2023: £nil)* arising from the ordinary course of business. The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

| | Group | |
|---|---|---|
| | **2024 £000** | 2023 £000 |
| UK | **2,060** | 1,791 |
| Europe | **193** | 313 |
| Other regions | **1** | – |
| | **2,254** | 2,104 |

The Group's exposure to credit and currency risks and impairment losses related to trade receivables is disclosed at note 23.

The Company has no trade receivables but it has receivables from group undertakings which are analysed at note 27.

## 16 Cash and cash equivalents

| | Group 2024 £000 | Group 2023 £000 | Company 2024 £000 | Company 2023 £000 |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | |
| Cash and cash equivalents per Statement of financial position and per cash flow statement | **168** | 1,241 | **–** | 604 |

The Group's exposure to credit and currency risk related to cash and cash equivalents is disclosed at note 23.

## 17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and Company's interest-bearing loans and borrowings, which are measured at amortised cost. More information about the Group's and Company's exposure to interest rate and foreign currency risk is disclosed at note 23.

| | Group 2024 £000 | Group 2023 £000 | Company 2024 £000 | Company 2023 £000 |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Lease Liabilities | **552** | 511 | **–** | – |
| **Current liabilities** | | | | |
| Lease liabilities | **303** | 221 | **–** | – |
| Overdraft | **1,703** | – | **2,211** | – |
| | **2,558** | 732 | **2,211** | – |

During the year and at 31 December 2024 the Group had available rolling overdraft facilities of £2.5 million with no fixed termination date.

Changes in liabilities from financing activities

| | Current loans and borrowings £000 | Lease liabilities £000 |
|---|---|---|
| Balance at 1 January 2024 | – | 732 |
| *Cash items:* | | |
| Payment of lease liabilities | – | (345) |
| *Non-cash items:* | | |
| New lease liabilities (note 10) | – | 97 |
| Acquisition of business | – | 304 |
| Use of overdraft facility | 1,703 | – |
| Interest expense | – | 67 |
| **Balance at 31 December 2024** | **1,703** | **855** |

# Notes (continued)

(forming part of the financial statements)

## 17 Interest-bearing loans and borrowings continued

| | Current loans and borrowings £000 | Lease liabilities £000 |
|---|---|---|
| Balance at 1 January 2023 | 125 | 214 |
| *Cash items:* | | |
| Repayment of bank loan and interest | (128) | – |
| Payment of lease liabilities | – | (155) |
| *Non-cash items:* | | |
| New lease liabilities (note 10) | – | 641 |
| Interest expense | 3 | 32 |
| Balance at 31 December 2023 | – | 732 |

## 18 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 |
| **Non-current liabilities** | | | | |
| Amounts owed to group undertakings | – | – | **1,086** | 1,086 |
| **Current liabilities** | | | | |
| Trade payables | **1,192** | 1,014 | **205** | 175 |
| Amounts owed to group undertakings | – | – | **3,207** | 2,514 |
| Contract liabilities | **1,294** | 727 | – | – |
| Taxation and social security | **598** | 370 | **4** | 101 |
| Non-trade payables and accrued expenses | **1,104** | 572 | **71** | 41 |
| | **4,188** | 2,683 | **3,487** | 2,831 |

| | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 |
|---|---|---|---|---|
| **Provisions for liabilities and charges** | | | | |
| Dilapidations | **106** | 113 | – | – |

There was no significant provision movement in the year, therefore no movement analysis has been presented.

### Contract liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 |
| At 1 January | **727** | 671 | – | – |
| Acquisition of business | **550** | – | – | – |
| Amounts included in contract liabilities that were recognised as revenue during the year | **(1,004)** | (613) | – | – |
| Cash received in advance of performance and not recognised as revenue during the year | **1,021** | 669 | – | – |
| At 31 December | **1,294** | 727 | – | – |

No amounts included in current liabilities are expected to be settled in more than 12 months *(2023: £nil)*. In both 2023 and 2024 amounts payable to group undertakings in current liabilities are due on demand but have no fixed repayment dates.

## 19 Employee benefits

### Defined contribution plans

The Group operates defined contribution pension plans.

The total expense relating to defined contribution plans in the current year was £227,000 *(2023: £169,000)*.

### Share-based payments

The Company has granted share options under its Enterprise Management Incentive Scheme ("EMI Scheme"), and an Unapproved Share Option Scheme ("Unapproved Scheme"). Options granted have a contractual life of ten years and are exercisable on the third anniversary from the date of grant. All options are to be settled by physical delivery of shares.

The unexercised options at 31 December 2024 are stated below.

| Date of grant | Scheme | Exercise price (pence) | Number of options granted | Vesting conditions | Exercise period |
|---|---|---|---|---|---|
| Jan 2016 | EMI Scheme | 12.25p | 1,510,204 | (1) | Jan 2019 – Jan 2026 |
| Jan 2016 | Unapproved Scheme | 12.25p | 189,796 | (1) | Jan 2019 – Jan 2026 |
| Jul 2017 | EMI Scheme | 29.00p | 80,000 | (1) | Jul 2021 – Jul 2027 |
| Oct 2018 | EMI Scheme | 21.50p | 575,000 | (1) | Oct 2023 – Oct 2028 |
| Oct 2018 | Unapproved Scheme | 21.50p | 875,000 | (1) | Oct 2023 – Oct 2028 |
| Apr 2019 | EMI Scheme | 23.50p | 75,000 | (1) | Apr 2023 – Apr 2029 |

(1) 3 years from date of grant

| | 2024 Number of shares | 2024 Weighted average exercise price £ | 2023 Number of shares | 2023 Weighted average exercise price £ |
|---|---|---|---|---|
| Outstanding at beginning of the year | **3,305,000** | **0.17** | 4,617,500 | 0.144 |
| Forfeited/lapsed | **–** | **–** | (1,312,500) | 0.08 |
| Outstanding at the end of the year | **3,305,000** | **0.17** | 3,305,000 | 0.17 |
| Exercisable at the end of the year | **3,305,000** | **0.17** | 3,305,000 | 0.17 |

The estimated fair value of the options ranges between 2.5p and 9.8p. These were calculated by applying the Black-Scholes option pricing model. The model inputs were the share price at the date of grant, the appropriate exercise price, expected volatility of 30.7% *(2023: 30.7%)* and a risk free interest rate of 0.8% *(2023: 0.8%)*. It was assumed that option holders would exercise their options during the first year after the option vesting date. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the period of one year to the date of grant.

The options outstanding at 31 December 2024 had exercise prices ranging from 12.25p to 29.00p and the weighted average remaining contractual life of the options was 2.4 years.

The Group and Company recognised no expense in the year (2023: nil) in respect of equity settled share options.

# Notes (continued)

(forming part of the financial statements)

## 20 Share capital

| | **At 31 December 2024 Number** | At 31 December 2023 Number |
|---|---|---|
| *Number of shares in issue – allotted, called up and fully paid* | | |
| Ordinary shares of 1p each | **61,705,039** | 57,528,229 |
| | **£000** | £000 |
| *Value of shares in issue – allotted, called up and fully paid* | | |
| Ordinary shares of 1p each | **617** | 575 |

The Company issued 4,176,810 ordinary shares of 1p each to the shareholders of Affini in connection its acquisition on 13 June 2024 at an issue price of 7.8p.

The Company's issued share capital comprises 61,705,039 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 60,705,039.

## 21 Treasury shares

| | **At 31 December 2024** | | At 31 December 2023 | |
|---|---|---|---|---|
| | **Number of shares** | **Cost £000** | Number of shares | Cost £000 |
| At 1 January and 31 December | **1,000,000** | **103** | 1,000,000 | 103 |

## 22 Equity reserve

The equity reserve related to the fair value of the share options issued but not yet exercised in respect of the acquisition of Water Hall Group plc in 2013. The remaining unexercised options have now lapsed, resulting in a transfer of £14,000 from this equity reserve to retained earnings.

## 23 Financial risk management

The Group's and Company's policy is to maintain a strong capital base with a view to ensuring that entities within the Group will be able to continue as going concerns.

The Group's and Company's principal financial instruments comprise short term debtors and creditors, short term bank deposits, cash, bank borrowings, leases and, when required, forward currency contracts and options. Neither the Group nor the Company trades in financial instruments but, where appropriate, uses derivative financial instruments in the form of forward foreign currency contracts and options to help manage foreign currency exposures. The prime objective of the Group's and Company's policy towards financial instruments is to manage their working capital requirements and finance their ongoing operations.

### Capital management

The Group's and Company's policy is to maintain a strong capital base with a view to ensuring that entities within the Group will be able to continue as going concerns. The Group and Company finance their operations through retained earnings, cash resources, bank borrowings, share placings and the management of working capital. It is the intention to issue new shares when satisfying share based incentive schemes. Capital is defined as total equity as set out in the Statement of financial position.

## 23 Financial risk management continued

### Management of financial risk

The main risks associated with the Group's financial instruments have been identified as credit risk, liquidity risk and foreign currency risk. The main risks associated with the Company's financial instruments have been identified as liquidity risk. The Board is responsible for managing these risks and the policies adopted, which have remained largely unchanged throughout the year.

### Credit risk

The carrying amount of financial assets included in the Statement of financial position, which represents the maximum credit risk, and the headings in which they are included are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 |
| **Current assets** | | | | |
| Trade receivables | **2,254** | 2,104 | **–** | – |
| Other receivables | **1,265** | 219 | **43** | – |
| Amounts owed by Group undertakings | **–** | – | **240** | – |
| Cash and cash equivalents | **168** | 1,241 | **–** | 604 |
| | **3,687** | 3,564 | **283** | 604 |

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group's risk is influenced by the nature of its customers. The majority of sales are made to government agencies and blue chip companies. New customers are analysed for creditworthiness before the Group's standard payment and delivery terms and conditions are offered and appropriate credit limits set. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. The carrying amount of trade receivables in the Statement of financial position represents the maximum exposure to credit risk and further details are given in note 15 to the financial statements. The Board considers the Group's exposure to credit risk to be acceptable and normal for an entity of its size given the industries in which it operates.

The Company's financial assets comprise amounts owed by group undertakings and the Board considers that there is no significant exposure to credit risk.

Surplus cash balances are placed on short term deposit with UK banks.

### Interest rate risk

The Group has financed its operations from its own cash resources and a £2.5 million overdraft facility. At 31 December 2024 the Group's bank borrowings bore interest at The Bank of England's bank rate plus 2.5%.

# Notes (continued)

(forming part of the financial statements)

## 23 Financial risk management continued

The interest rate risk profile of the Group's and Company's interest bearing financial instruments was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| **Interest rate risk profile of financial assets** | **£000** | £000 | **£000** | £000 |
| Floating rate assets (by currency): | | | | |
| Sterling | **–** | 1,228 | **–** | 604 |
| Euro | **–** | 13 | **–** | – |
| US dollar | **–** | – | **–** | – |
| | **–** | 1,241 | **–** | 604 |
| **Interest rate profile of financial liabilities** | | | | |
| Fixed rate liabilities (by currency): | | | | |
| Sterling | **855** | 136 | **–** | – |
| Floating rate liabilities (by currency): | | | | |
| Sterling | **1,703** | – | **–** | – |

The fixed rate financial liabilities comprise lease liabilities. The floating rate liability relates to the overdraft facility.

### Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to access the necessary funds to finance their operations. Their own cash resources and bank borrowings are the predominant source of funds. Surplus cash is placed on short term deposit with UK banks.

The Group manages its liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on a rolling cash forecast.

The carrying amount of financial liabilities included in the Statement of financial position and the headings in which they are included are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **£000** | £000 | **£000** | £000 |
| **Current liabilities** | | | | |
| Trade and other payables | **4,294** | 2,069 | **205** | 175 |
| Lease liabilities | **303** | 221 | **–** | – |
| Overdraft | **1,703** | – | **1,703** | – |
| Amounts owed to group undertakings | **–** | – | **3,207** | 2,059 |
| **Non-current liabilities** | | | | |
| Lease liabilities | **552** | 511 | **–** | – |
| Amounts owed to group undertakings | **–** | – | **1,086** | 1,037 |
| | **6,852** | 2,801 | **6,201** | 3,271 |

## 23 Financial risk management continued

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

| | | 2024 | | | | |
|---|---|---|---|---|---|---|
| | **Carrying amount £000** | **Contractual cash flows £000** | **1 year or less £000** | **1 to <2 years £000** | **2 to <5 years £000** | **5 years and over £000** |
| **Non-derivative financial liabilities** | | | | | | |
| Lease liabilities | **855** | **896** | **328** | **270** | **298** | **–** |
| Trade and other payables | **2,838** | **2,838** | **2,838** | **–** | **–** | **–** |
| | | **3,734** | **3,166** | **270** | **298** | **–** |

The contractual cash flows include interest estimated at a rate of between 3.5% and 7.25%.

| | | 2023 | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount £000 | Contractual cash flows £000 | 1 year or less £000 | 1 to <2 years £000 | 2 to <5 years £000 | 5 years and over £000 |
| **Non-derivative financial liabilities** | | | | | | |
| Lease liabilities | 732 | 860 | 275 | 211 | 374 | – |
| Trade and other payables | 2,069 | 2,069 | 2,069 | – | – | – |
| | | 2,929 | 2,344 | 211 | 374 | – |

The directors consider that the carrying amounts of financial assets and liabilities approximate their fair values.

### Foreign currency risk

The Group is exposed to currency risk on purchases and occasionally on sales, that are denominated in a currency other than the respective functional currencies of Group entities. Less than 1 percent *(2023: 1 percent)* of the Group's sales were to customers in Continental Europe and around 1 percent *(2023: around 1 percent)* were to customers in the Rest of the World. These sales were priced in Pounds Sterling. The Group makes purchases in Pounds Sterling, Euros and US Dollars and the Group's policy is to reduce currency exposures through, where appropriate, forward foreign currency contracts.

### Currency risk of financial assets and liabilities

The Group also has non-structural currency exposures i.e., those exposures arising from sales and purchases by group companies in currencies other than that company's functional currency. These exposures give rise to net currency gains/losses recognised in the income statement and represent monetary assets and liabilities of the Group that were not denominated in the functional currency of the company involved.

# Notes (continued)

(forming part of the financial statements)

## 23 Financial risk management continued

At 31 December 2024 and 2023 the exposures in this respect were trade receivables and payables and were:

| | **2024 Receivables £000** | **2024 Payables £000** | 2023 Receivables £000 | 2023 Payables £000 |
|---|---|---|---|---|
| **Currency** | | | | |
| US dollar | **1** | **(19)** | – | (33) |
| Euro | **–** | **–** | 10 | - |
| | **1** | **(19)** | 10 | (33) |

In the opinion of the directors the business has no significant exposure to market risk arising from currency exchange or other price fluctuations at 31 December 2024 and it has therefore not been deemed necessary to include a sensitivity analysis.

## 24 Lease expenses

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2024 £000** | 2023 £000 | **2024 £000** | 2023 £000 |
| Short term lease expense | **152** | 32 | **21** | 20 |
| Low value lease expense | **9** | 2 | **–** | – |
| | **161** | 34 | **21** | 20 |

## 25 Capital commitments

At 31 December 2024 had capital commitments totalling £11,000 *(2023: £51,000)*. The Company had no such commitments *(2023: none)*.

## 26 Contingent liabilities

At 31 December 2024 the Company has no amounts guaranteeing the contract performance of subsidiary companies in respect of customer contracts which have yet to be completed amounting *(2023: £2,962,000)*.

## 27 Related party transactions

Transactions/ balances with subsidiaries – Company

There is no ultimate controlling party of Petards Group plc.

Transactions with directors – Group

£36,000 was paid in the year to Adcel Limited, a company wholly controlled by P Negus, in respect of fees for the provision of consultancy services (note 4) (2023: £5,000).

## 27 Related party transactions continued

Key management compensation

Key management compensation comprises salaries, fees, bonuses, employer pension contributions, share based payment charges and employer social security costs.

The key management of the Group are the directors and officers of Petards Group plc and their compensation is as follows:

| | Group | |
|---|---|---|
| | **2024** | 2023 |
| | **£000** | £000 |
| Salaries, fees, bonuses and other benefits | **676** | 549 |
| Employer pension contributions | **4** | 6 |
| Share based payment charges | **–** | 4 |
| Employer social security costs | **76** | 42 |
| | **756** | 601 |

## 28 Exceptional costs

During the year, exceptional costs totalling £491,000 were incurred *(2023: £656,000)* in respect of corporate activity and reorganisation costs. Those comprised legal and professional costs of £416,000 and integration costs of £55,000 in connection with the acquisition of Affini Technology Group Limited, and other group reorganisation costs of £20,000.

## 29 Subsequent Events

Since the reporting date, the directors are satisfied that no material or significant subsequent events have occurred that would require adjustments to or disclosures in the financial statements.

# 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 and acquisition costs. Adjusted EBITDA is considered useful by the board since by removing exceptional items and acquisition costs, 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/(debt)

Total net funds/(debt) comprises cash and cash equivalents less interest bearing loans and borrowings. This allows management to monitor the indebtedness of the Group.

## Current net (debt)/funds

Current net funds comprises cash and cash equivalents less current liabilities in respect of interest bearing loans and borrowings, excluding liabilities recognised on the adoption of IFRS 16 'Leases'. This allows management to monitor the short term indebtedness of the Group.

# Directors, officers and advisors

**Directors:**
Raschid Abdullah *(Chairman)*
Osman Abdullah
John Wakefield
Geraint Davies
Paul Negus *(resigned 20 January 2025)*

**Company Secretary:**
Ben Gillam CA

**Registered Office:**
32 London Road
Guildford
Surrey
GU1 2AB

**Company Registration Number:**
02990100

**Independent Auditor:**
HaysMac LLP
10 Queen Street Place
London
EC4R 1AG

**Bankers:**
Santander UK plc
2 Triton Square
Regent's Place
London
NW1 3AN

**Nominated Advisor & Joint Broker:**
Zeus Capital Limited
82 King Street
Manchester
M2 4WQ

**Joint Broker**
Hybridan LLP
1 Poultry
London
EC2R 8EJ

**Registrar:**
Share Registrars
3, The Millennium Centre
Crosby Way
Farnham
GU9 7XX

**Website:**
www.petards.com

# Notice of Annual General Meeting

Notice is hereby given that the 2025 Annual General Meeting of Petards Group plc (the "Company") will be held at The County Club, 158 High Street, Guildford, Surrey GU1 3HJ on 6 August 2025 at 11.00 a.m.

The Meeting will deal with the following items:

## Ordinary Business

1. To receive and consider the audited accounts of the Company for the year ended 31 December 2024 together with the directors' report and the auditor's report.
2. That Raschid Abdullah who retires by rotation be re-elected as a director of the Company.
3. To re-appoint HaysMac LLP as auditor to hold office from the conclusion of the meeting until the conclusion of the next general meeting at which the accounts are laid before the Company.
4. Subject to resolution 3 being approved, to authorise the directors to fix the auditor's remuneration.

## Special Business

To consider and, if thought fit, pass the following resolutions of which resolution number 5 shall be passed as an ordinary resolution and resolution numbers 6 and 7 shall be passed as special resolutions:

5. That, in substitution for all existing authorities, to the extent unused, and pursuant to section 551 of the Companies Act 2006 (the "Act") the directors of the Company be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £200,327 (being approximately 33% of the present issued ordinary share capital of the Company) provided that this authority shall, unless renewed, varied or revoked, expire on the conclusion of the Annual General Meeting of the Company to be held in 2026, save that the directors be and they are hereby entitled, as contemplated by section 551(7) of the Act, to make at any time prior to the expiry of such authority any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the expiry of such authority and the directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
6. That, subject to and conditional on resolution 5 above being duly passed, the directors of the Company be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) in the capital of the Company for cash pursuant to the authority conferred by resolution 5 above as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities:

   (A) in connection with an offer of such securities by way of rights, or other pre-emptive offer, to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any relevant territory, or the requirements of any regulatory body or stock exchange; and

   (B) otherwise than pursuant to (a) above up to a maximum aggregate nominal amount of £91,058 (being approximately 15% of the present issued ordinary share capital of the Company):

   provided that such power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2026, save that the Company may make an offer or agreement prior to such expiry which would or might require equity securities to be allotted after the expiry of such power, and the directors may allot equity securities in pursuance of that offer or agreement as if such power had not expired.
7. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of 1p each of the Company provided that:

   (A) the maximum number of ordinary shares authorised to be purchased is 6,070,504 (representing 10 per cent of the Company's issued ordinary share capital as at 20 June 2025);

   (B) the minimum price which may be paid for an ordinary share is 1 pence (exclusive of expenses);

(C) the maximum price (exclusive of expenses) which may be paid for an ordinary share is an amount equal to 5 per cent above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange for the 5 business days immediately preceding the date on which the ordinary share is contracted to be purchased;

(D) unless previously received, varied, or revoked, the authority hereby conferred shall expire at the conclusion of the Company's Annual General Meeting to be held in 2026; and

(E) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract.

BY ORDER OF THE BOARD

**Ben Gillam**

Company Secretary

20 June 2025

Registered Office:

Parallel House
32 London Road
Guildford
Surrey
GU1 2AB

Company Number: 02990100

Notes:

1. Pursuant to Part 13 of the Act and paragraph 18(c) of the Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, only those members registered in the register of members of the Company at 11.00 a.m. on 4 August 2025 (or if the AGM is adjourned, 48 hours, excluding non-working days, before the date fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
2. Members who wish to attend the AGM in person should ensure that they arrive at the venue for the AGM in good time before the commencement of the meeting. Members may be asked to provide proof of identity in order to gain admission to the AGM.
3. A member who is entitled to attend, speak and vote at the AGM may appoint a proxy to attend, speak and vote instead of him. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the AGM in order to represent you. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. Appointing a proxy will not prevent a member from attending in person and voting at the AGM (although voting in person at the AGM will terminate the proxy appointment).
4. You can register your vote(s) for the Annual General Meeting either:
   - by visiting www.shareregistrars.uk.com, clicking on the "Proxy Vote" button and then following the on-screen instructions (you can locate your user name and access code on the top of the proxy form);
   - by post or by hand to Share Registrars Limited, 3 The Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX using the proxy form accompanying this notice;
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 10 below.

   In order for a proxy appointment to be valid the proxy must be received by Share Registrars Limited by 11.00 a.m. on 4 August 2025.
5. A form of proxy accompanies this document. The notes to the proxy form include instructions on how to appoint the Chairman of the AGM as a proxy and should be followed carefully.
6. To be valid, a proxy form, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should reach the Company's registrar, Share Registrars Limited, 3 The Millennium Centre, Crosby Way, Farnham, Surrey GU9 7XX, by no later than 11.00 a.m. on 4 August 2025.
7. If a member returns more than one proxy form, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence.
8. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote shall be accepted to the exclusion of the votes of other joint holders.
9. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done by the appointment of a proxy (described in Notes 3 to 7 above).

# Notice of Annual General Meeting (continued)

10. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Share Registrars (**ID 7RA36**) no later than 48 hours, excluding non-working days, before the time fixed for the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Share Registrars is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK & International Limited does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST System by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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