
PW DEFENCE LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD 1 NOVEMBER 2020 TO 31 DECEMBER 2021**

Registered number: 00464142



PW DEFENCE LTD

COMPANY INFORMATION

Directors	L M Millar (appointed 29 January 2021) P J Murphy (appointed 21 July 2021) R Wilkinson (appointed 29 January 2021) A D Walker (resigned 29 January 2021, appointed 11 February 2021, resigned 21 July 2021) J F Abbass (resigned 29 January 2021) J G Hughes (resigned 29 January 2021) S Young (resigned 29 January 2021)
Registered number	00464142
Registered office	Wilne Mill Draycott Derby DE72 3QJ
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor 5 Benham Road Southampton Science Park Chilworth SO16 7QJ

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**STRATEGIC REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2021**

Introduction

The directors present their Strategic Report for the 14-month period from 1 November 2020 to 31 December 2021. The change in accounting period is to conform with the period-end of the new parent company, as the business was acquired during the period. The comparative period was 12 months ending 31 October 2020.

Business review

The principal activity of PW Defence Ltd (the "Company") continues to be the development, manufacture and sale of pyrotechnic devices to the Defence market, both in the UK and internationally, where such trade has been authorised by the UK government.

On 29 January 2021 the Wescom Signal and Rescue UK Limited acquired 100% of the issued share capital of PWD Group Limited, the Company's immediate parent company.

Results and performance

As shown in the Company's profit and loss account, the Company's sales have increased by 81% to £17,628k. This is partly due to the current period being 14 months and the prior period being 12 months.

During the financial period a prior period adjustment was identified, due to a sale recorded in the period ended 31 October 2020 which subsequently failed revenue recognition criteria. As such, an adjustment has been posted to the prior year results with an overall reduction in profit of £336k. Further detail can be found in note 30.

The Company has made an operating profit in the current period of £151k (2020: loss £168k - restated).

The Company has net current assets of £3,487k at the period end (2020: £4,520k - restated), including cash reserves of £1,349k (2020: £2,024k).

The Company made a loss after tax of £98k in the period (2020: £297k loss - restated), with the loss in the current period being attributable to exceptional costs of £888k which arose as a result of the Company's immediate parent undertaking being acquired in the period. The Directors are confident in the underlying performance of the business.

Key Performance Indicators (KPIs)

A summary of the key financial indicators for the year is outlined in the table below:

	Period ended	<i>(Restated)</i> Year ended
	31-Dec	31-Oct
	2021	2020
	£000	£000
Turnover	17,628	9,714
Operating profit/(loss)	151	(168)
Return on sales	0.9%	(1.7%)

The Company's key measurement of the effectiveness of its operations is return on sales which is based on operating profit as a proportion of turnover.

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Principal risks and uncertainties

The Company is responsible for a system of internal control and risk management. The Company manages risks through its monthly management meetings which include a review of the key risks associated with the achievement of the annual budget and the most significant health and safety risks identified. Brief details of the principal risks and uncertainties currently facing the Company are set out below:

Health and safety risks

Responsibility for the delivery of world class safety standards is an integral part of the operational management accountability. The Company's management are, therefore, expected to operate with health and safety as a top priority and to ensure that the strength of the Company's safety culture (and the quality of its protective systems) deliver operations which are safe.

Market risk

The Company may be affected by general market trends, which are unrelated to the performance of the Company itself. Any economic downturn either globally or locally may have an adverse effect on the Company's revenue, profit and cash flow if this were to continue over a sustained period, however due to the robust nature of the sector the Directors believe the business to be reasonably resilient to such adverse impact.

Impact of global supply challenges

Global supply chain challenges impact the Company due to the global nature of operations. Increased lead-time planning is mitigating the operational impact for the Company and therefore the impact is low.

Impact of rising fuel and energy costs

A number of technical and geopolitical issues have increased global wholesale energy prices during the period. The Company continues to monitor and manage any changes in cost-base associated with this global price increase. Whilst the Company is exposed to price risk in this regard it is not considered to be at a greater risk than any others operating in the sector.

Financial risks

The Company's operations exposure to a variety of financial risks includes foreign exchange rate fluctuation risk, credit risk, and liquidity risk. Interest rate risk is limited as the Company had no external borrowing by the period end.

Foreign exchange fluctuations:

The Company prepares its financial statements in sterling, based on the currency of major revenue streams, manufacturing and operating costs. A minority of transactions do occur in foreign currencies and therefore the Company does have some exposure to adverse impact from changes in currency rates. The Company seeks to match foreign currency costs and flex cash flows to align with corresponding foreign currency receivables.

Credit Risk:

The Company's credit risk is primarily attributable to its trade receivables. The Company requires appropriate credit checks on potential customers before sales are made. The amounts presented in the Balance Sheet are stated net of allowances for doubtful debt.

Liquidity Risk:

The Company's liquidity risk and ability to meet its obligations as they fall due are considered well managed, being supported by substantial cash balances and positive cashflows from trading activity. The Company places particular importance on management of its cash resources with vigorous planning and regular reviews of the Company's spend and cash inflow from sales.

Product liability and other customer claims

The Company may be subject to product liability and other claims by customers or third parties. Substantial claims could harm the Company's business and its financial position. Product liability claims from third parties for damage to property or persons are generally covered by the Company's insurance policies, subject to applicable insurance conditions.

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Environmental laws and regulations

The Company's operations, ownership and use of property are subject to a number of environmental laws and regulations, including those relating to discharge of hazardous materials, management of any contaminated sites, and the restoration of damage to the environment. The Company is certified to the environmental management system ISO14001, which requires the setting of environmental goals and objectives focused on local aspects and impacts.

Political risks

The Company is active in several countries that are suffering from political and economic instability. The Company's business in these countries may be adversely affected in a way that is material to its financial position and the results of its operations. The Company strives to maintain relationships at all levels within the political structure of certain key countries, in order to ensure that it is aware of, and can react to, proposed changes if and when they occur.

Brexit risks

Brexit continued to have a negligible effect on the Company during the period given that the majority of sales are either to the UK government or to international customers outside of the EU. The acquisition by the Wescom Group during the period gives the Company access to other group companies located within the European Union for when such European sales do need to be facilitated.

The Company continues to have few transactions in the euro currency and has a low exposure to currency fluctuations as a result.

Future developments

Acquisition by the Wescom Group in the period has created a new suite of long-term growth plans and key business objectives.

Given the positive results for the period and the Board's assessment of the strength of the Company's strategy, competitive positioning of its product and sales pipeline, the Directors have confidence in the Company's prospects for the current financial period. The Board will continue to focus on strengthening the Company's position.

This report was approved by the board and signed on its behalf by:



Mr R Wilkinson
Director
Date: 13/5/2022



Mrs L Millar
Director
Date: 13/5/2022

PW DEFENCE LTD

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2021**

The directors present their report and the financial statements for the period ended 31 December 2021.

Directors

The directors who served during the period were:

L M Millar (appointed 29 January 2021)
P J Murphy (appointed 21 July 2021)
R Wilkinson (appointed 29 January 2021)
D Walker (resigned 29 January 2021, appointed 11 February 2021, resigned 21 July 2021)
J F Abbass (resigned 29 January 2021)
J G Hughes (resigned 29 January 2021)
S Young (resigned 29 January 2021)

Results and dividends

The loss for the period, after taxation, amounted to £98k (2020 - loss £297k).

A dividend of £473k was paid in the period (2020: £Nil).

Engagement with employees

The Company pursues a policy of employee communication through meetings and in-house correspondence, by which employees are made aware of the progress of the Company. Further details can be found in the Strategic report.

Matters covered in the strategic report

Principal risks and uncertainties including measures implemented to mitigate these risks are disclosed in the Company Strategic Report, along with key performance indicators and a business review for the reporting period.

Research and development activities

During the year the Company has invested £103,937 (2020: £84,328) in research and development activities aimed at product improvement and optimisation of manufacturing processes. All costs were non-capital in nature and were expensed to the Statement of Comprehensive Income.

Post balance sheet events

There have been no significant events affecting the Company since the period end.

Going Concern

The Directors have reviewed the current financial performance and position of the Company, and the uncertainties that arise as a result of global freight and labour shortages, including a stress test assessment of cash requirements of the business. The impact of Covid-19 has been low, and a low degree of uncertainty is considered to arise from Covid-19 in future. With this in mind, the Directors expect that the future cashflows generated by the business from its operating activities, together with existing cash and cash equivalents, will be sufficient to meet the Company's current and long-term liquidity and capital requirements.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to meet its liabilities as they fall due for at least 12 months from the date of signing of these financial statements, and believe it is appropriate to prepare the financial statements on the going concern basis.

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**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2021**

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:



Mr R Wilkinson
Director
Date: 13/5/2022



Mrs L Millar
Director
Date: 13/5/2022



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PW DEFENCE LTD

Opinion

We have audited the financial statements of PW Defence Ltd (the 'Company') for the period ended 31 December 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity 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 United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Company 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, 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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 Company'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.

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PW DEFENCE LTD (CONTINUED)

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 period 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.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the 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.

Matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PW DEFENCE LTD (CONTINUED)

Responsibilities of directors for the financial statements

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 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 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.

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.

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

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- The company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors, and legal and regulatory correspondence. The key laws and regulations we considered in this context included the UK Companies Act and FRS 102.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PW DEFENCE LTD (CONTINUED)

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that increased revenues or that reclassified costs from the Statement of comprehensive income to the Balance sheet;
 - the occurrence of revenues; and
 - potential management bias in determining accounting estimates
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on material manual journals, including those with unusual account combinations and those that increased revenue or that reclassified costs from the Statement of comprehensive income to the Balance sheet;
 - vouching the occurrence of revenue to supporting evidence; and
 - challenging assumptions and judgements made by management in its significant accounting estimates
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement leader's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the team's understanding of, and experience with engagements of a similar nature and complexity, knowledge of the industry and understanding of the legal and regulatory requirements specific to the entity.
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

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.



Amanda James BFP ACA FCCA
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton
Date: 13/5/2022

PW DEFENCE LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2021**

	Note	14-month Period ended 31 December 2021 £000	(Restated) 12-month Period ended 31 October 2020 £000
Turnover	4	17,628	9,714
Change in stocks of finished goods and in work in progress		(135)	(119)
Raw materials and consumables		(8,533)	(6,225)
Other external charges		(482)	(148)
Staff costs	7	(4,731)	(3,402)
Depreciation, amortisation and other amounts written off tangible and intangible fixed assets		(730)	(619)
Other operating charges		(1,978)	(225)
Exceptional administrative expenses	13	(888)	886
Operating profit/(loss)	5	151	(168)
Interest receivable and similar income	9	2	15
Interest payable and similar expenses	10	(176)	(142)
Loss before tax		(23)	(295)
Tax on loss	11	(75)	(2)
Loss for the financial period/year		(98)	(297)

There was no other comprehensive income for 2021 (2020: £Nil).

All results relate to continuing operations.

The notes on pages 14 to 33 form part of these financial statements.

PW DEFENCE LTD
REGISTERED NUMBER:00464142

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	December 2021 £000	(Restated) October 2020 £000
Fixed assets			
Intangible assets	14	344	490
Tangible assets	15	<u>3,977</u>	<u>4,144</u>
		4,321	4,634
Current assets			
Stocks	16	3,064	3,982
Debtors: amounts falling due within one year	17	4,531	1,943
Debtors: amounts falling due after more than one year	17	-	423
Cash at bank and in hand		<u>1,349</u>	<u>2,024</u>
		8,944	8,372
Creditors: amounts falling due within one year	18	<u>(5,457)</u>	<u>(3,852)</u>
Net current assets		<u>3,487</u>	<u>4,520</u>
Total assets less current liabilities		7,808	9,154
Creditors: amounts falling due after more than one year	19	-	(1,402)
Provisions for liabilities			
Provisions	22	<u>(1,279)</u>	<u>(652)</u>
Net assets		<u>6,529</u>	<u>7,100</u>
Capital and reserves			
Called up share capital	23	1,154	1,154
Share premium account	24	1,047	1,047
Revaluation reserve	24	365	365
Profit and loss account	24	<u>3,963</u>	<u>4,534</u>
		6,529	7,100

The financial statements were authorised for issue by the board and were signed on its behalf by:



Mr R Wilkinson
Director
Date: 13/5/2022



Mrs L Millar
Director
Date: 13/5/2022

The notes on pages 14 to 33 form part of these financial statements.

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**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2021**

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 November 2020 (Restated)	1,154	1,047	365	4,534	7,100
Comprehensive income for the period					
Loss for the period	-	-	-	(98)	(98)
Dividends (Note 12)	-	-	-	(473)	(473)
At 31 December 2021	<u>1,154</u>	<u>1,047</u>	<u>365</u>	<u>3,963</u>	<u>6,529</u>

The notes on pages 14 to 33 form part of these financial statements.

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**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 OCTOBER 2020**

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 November 2019	1,154	1,047	379	4,817	7,397
Comprehensive income for the year					
Loss for the year	-	-	-	39	39
Prior year adjustment (Note 30)	-	-	-	(336)	(336)
Transfer to profit and loss account	-	-	(14)	14	-
At 31 October 2020 (Restated)	<u>1,154</u>	<u>1,047</u>	<u>365</u>	<u>4,534</u>	<u>7,100</u>

The notes on pages 14 to 33 form part of these financial statements.

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

1. General information

PW Defence Ltd is a private company limited by shares incorporated in England and Wales. Its registered head office is located at Wilne Mill, Draycott, Derby, DE72 3QJ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The financial statements are prepared in sterling which is the functional currency of the Company. All amounts in the financial statements have been rounded to the nearest £1,000.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Wescom Signal and Rescue International Limited as at 31 December 2021 and these financial statements may be obtained from Wilne Mill, Wilne Road, Draycott, Derby, England, DE72 3QJ.

2.3 Prior year adjustment

Prior period errors are misstatements in the financial statements for one or more prior periods arising from a failure to use reliable information that was available when financial statements for those periods were authorised for issue; and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

To the extent practicable, material prior period errors are corrected retrospectively in the first financial statements authorised for issue after its discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred.

Disclosures will be made for the nature of the prior period errors and the amount of the correction for each financial statement line item affected.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.4 Going concern

Despite a loss of £98k for the period ended 31 December 2021, the Company had £1.3m cash at bank and £3.5m net current assets at the period end. As such, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In preparing these financial statements, the Directors considered the impacts of various external factors on the ability of the Company to continue as a going concern by preparing a cash flow forecast through to 30 June 2023, including a stress test assessment of cash requirements of the business under a plausible downside scenario which demonstrates that the Company is expected to have sufficient liquidity to meet its liabilities as they fall due over a period of at least 12 months from the date of approval of the financial statements.

Further to this, the Directors believe that strong growth in Order Book creates a reasonable expectation that the Group has adequate resources to continue in operational existence and to meet its liabilities as they fall due for at least 12 months from the date of signing of these financial statements.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

PW DEFENCE LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.6 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In the case of the sale of goods under "bill and hold" arrangements, turnover is recognised when the buyer acknowledges the deferred delivery instructions and usual payment terms apply.

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.8 Research and development

Research expenditure is charged to the profit and loss account as incurred. Development, patent and license costs are also charged to the profit and loss account, as incurred, except where a major project is undertaken and it is reasonably anticipated that costs will be recovered through future commercial activity.

2.9 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

2.10 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.11 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

PW DEFENCE LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.12 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.15 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.17 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Licences	-	3	years
Development expenditure	-	3	years
Computer software	-	3	years
ERP software system (included in software)	-	8	years

2.18 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	5 - 50	years
Plant and machinery	-	2 - 20	years
Motor vehicles	-	5	years
Fixtures and fittings	-	3 - 20	years
Office equipment	-	3 - 5	years
Assets under construction	-	Not	depreciated

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Land is not depreciated.

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.19 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a standard cost basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.20 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.21 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.22 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

2.24 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

When applying the Company's accounting policies, management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date and the amounts of turnover and expenses recognised during the year. Such assumptions and estimates are based upon factors including historical experience, the observation of trends in the industries in which the Company operates, and information available from the Company's customers and other external sources.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year include:

Depreciation, amortisation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider the issues such as future market conditions, the remaining life of the asset and projected disposal values.

Carrying value of stocks

The directors review the market value and demand for its stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. The directors use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the Company's products and achievable selling prices.

Provisions

A provision is recognised when the Company has a present and legal constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are calculated based on a discounted cash flow model. The provisions are calculated using appropriate discount rates, and the estimates used in the discounted cash flow model are based on the periods and terms stipulated in the relevant agreements.

Whether a present obligation is probable or not requires judgement. The nature of the risks for these provisions differ and directors' judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company takes professional advice on its tax affairs and recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due.

The directors' estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future profits together with an assessment of the effects of future tax planning strategies.

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

4. Turnover

The whole of the turnover is attributable to the Company's principal activity.

Analysis of turnover by country of destination:

	14-month Period ended 31 December 2021 £000	<i>(Restated) 12-month Period ended 31 October 2020 £000</i>
United Kingdom	6,928	6,054
Rest of Europe	136	-
Rest of the world	10,564	3,660
	<u>17,628</u>	<u>9,714</u>

Details of the prior year adjustment can be found in note 30.

5. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	14-month Period ended 31 December 2021 £000	<i>12-month Period ended 31 October 2020 £000</i>
Research & development charged as an expense	104	84
Exchange differences	27	4
Other operating lease rentals	13	11
Depreciation of tangible fixed assets	516	456
Amortisation of intangible assets	214	164

6. Auditor's remuneration

	14-month Period ended 31 December 2021 £000	<i>12-month Period ended 31 October 2020 £000</i>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>31</u>	<u>20</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of Wescom Signal and Rescue International Limited.

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
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7. Employees

Staff costs, including directors' remuneration, were as follows:

	14-month Period ended 31 December 2021 £000	<i>12-month Period ended 31 October 2020 £000</i>
Wages and salaries	4,130	2,947
Social security costs	405	301
Cost of defined contribution scheme	196	154
	<u>4,731</u>	<u>3,402</u>

The average monthly number of employees, including the directors, during the period was as follows:

	14-month Period ended 31 December 2021 No.	<i>12-month Period ended 31 October 2020 No.</i>
Production	130	125
Non-production	17	19
	<u>147</u>	<u>144</u>

8. Directors' remuneration

	14-month Period ended 31 December 2021 £000	<i>12-month Period ended 31 October 2020 £000</i>
Directors' emoluments	212	69
Company contributions to defined contribution pension schemes	7	6
	<u>219</u>	<u>75</u>

Highest paid director

The highest paid director received emoluments of £70k (2020: £nil) and company contributions to a defined contribution pension scheme of £2k (2020: £nil).

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

9. Interest receivable

	14-month Period ended 31 December 2021 £000	<i>12-month Period ended 31 October 2020 £000</i>
Other interest receivable	<u>2</u>	<u>15</u>

10. Interest payable and similar expenses

	14-month Period ended 31 December 2021 £000	<i>12-month Period ended 31 October 2020 £000</i>
Other loan interest payable	<u>176</u>	<u>142</u>

11. Taxation

	14-month Period ended 31 December 2021 £000	<i>12-month Period ended 31 October 2020 £000</i>
Corporation tax		
Current tax on profits for the year	-	27
Total current tax	<u>-</u>	<u>27</u>
Deferred tax		
Origination and reversal of timing differences	56	(25)
Adjustments in respect of prior period	28	-
Changes in tax rate	(9)	-
Total deferred tax	<u>75</u>	<u>(25)</u>
Taxation on profit on ordinary activities	<u>75</u>	<u>2</u>

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

Factors affecting tax charge for the period/year

The tax assessed for the period/year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	14-month Period ended 31 December 2021 £000	<i>(Restated) 12-month Period ended 31 October 2020 £000</i>
Loss on ordinary activities before tax	<u>(22)</u>	<u>(295)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(4)	(56)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	71	19
Capital allowances for period/year in excess of depreciation	(22)	(66)
Utilisation of tax losses	(9)	(1)
Unrelieved tax losses carried forward	-	106
Prior period adjustment	28	-
Changes in tax rate	(9)	-
Group relief	20	-
Total tax charge for the period/year	<u><u>75</u></u>	<u><u>2</u></u>

Factors that may affect future tax charges

The Company has unrelieved tax losses carried forward of £4,228,571 (2020: £4,494,841).

12. Dividends

	31 December 2021 £000	<i>31 October 2020 £000</i>
Dividends paid	<u><u>473</u></u>	<u><u>-</u></u>

The dividend was paid on 28 January 2021.

PW DEFENCE LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021

13. Exceptional items

	14-month Period ended 31 December 2021 £000	12-month Period ended 31 October 2020 £000
Exceptional items	<u>(888)</u>	<u>886</u>

During the period the Company incurred costs of £888k in association with fair value adjustments and post-acquisition costs of integrating into the Wescom Group. Costs have been expensed to the statement of comprehensive income as Exceptional items due to the materiality and infrequency of the underlying transaction.

During the prior year the Company was contractually released from an £886k loan liability.

14. Intangible assets

	Licenses £000	Development expenditure £000	Assets under construction £000	Computer software £000	Total £000
Cost					
At 1 November 2020	227	931	3	779	1,940
Additions	11	-	57	-	68
Transfers	3	-	(3)	-	-
At 31 December 2021	<u>241</u>	<u>931</u>	<u>57</u>	<u>779</u>	<u>2,008</u>
Amortisation					
At 1 November 2020	101	931	-	418	1,450
Charge for the period on owned assets	88	-	-	126	214
At 31 December 2021	<u>189</u>	<u>931</u>	<u>-</u>	<u>544</u>	<u>1,664</u>
Net book value					
At 31 December 2021	<u>52</u>	<u>-</u>	<u>57</u>	<u>235</u>	<u>344</u>
At 31 October 2020	<u>126</u>	<u>-</u>	<u>3</u>	<u>361</u>	<u>490</u>

PW DEFENCE LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021

15. Tangible assets

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Office equipment £000	Assets under construction £000	Total £000
Cost or valuation							
At 1 November 2020	4,992	4,012	63	513	174	347	10,101
Additions	112	167	-	-	-	70	349
Transfers	127	265	-	-	-	(392)	-
Disposals	(49)	(70)	(46)	-	(17)	-	(182)
At 31 December 2021	5,182	4,374	17	513	157	25	10,268
Depreciation							
At 1 November 2020	2,358	3,031	57	398	113	-	5,957
Charge for the period on owned assets	160	290	2	33	31	-	516
Disposals	(49)	(70)	(46)	-	(17)	-	(182)
At 31 December 2021	2,469	3,251	13	431	127	-	6,291
Net book value							
At 31 December 2021	2,713	1,123	4	82	30	25	3,977
At 31 October 2020	2,634	981	5	116	61	347	4,144

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

15. Tangible fixed assets (continued)

Included in Freehold property is land with a value of £190,000 (2020: £190,000) that has not been depreciated.

Cost or valuation at 31 December 2021 is as follows:

	Land and buildings £000
Subsequent additions and disposals at cost	3,362
At valuation:	
30 September 1997 - depreciated replacement cost	<u>1,820</u>
	<u><u>5,182</u></u>

At 30 September 1997 an independent valuation was undertaken on the Company's freehold property. The valuation was performed on a depreciated replacement value basis, as in the option of the directors this was the most appropriate basis as the site is unique.

In accordance with the transitional provisions of FRS 102, this valuation has not been updated.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2021 £000	2020 £000
Cost	4,499	4,499
Accumulated depreciation	(2,364)	(2,229)
Net book value	<u><u>2,135</u></u>	<u><u>2,270</u></u>

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

16. Stocks

	2021 £000	(Restated) 2020 £000
Raw materials and consumables	2,204	2,270
Work in progress	317	304
Finished goods and goods for resale	543	1,408
	<u>3,064</u>	<u>3,982</u>

An impairment loss of £208,593 (2020: £101,378) has been recognised in cost of sales against stock during the period/year due to slow moving and obsolete stock.

The replacement cost of stock is not materially different from the historic cost.

17. Debtors

	2021 £000	2020 £000
Due after more than one year		
Amounts owed by group undertakings	<u>-</u>	<u>423</u>

	2021 £000	(Restated) 2020 £000
Due within one year		
Trade debtors	3,996	1,679
Amounts owed by group undertakings	57	-
Other debtors	1	10
Prepayments	438	140
Deferred taxation	39	114
	<u>4,531</u>	<u>1,943</u>

An impairment charge of £Nil (2020: £885,839) has been recognised in administrative expenses against trade debtors.

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

18. Creditors: Amounts falling due within one year

	2021	2020
	£000	£000
Bank loans	-	38
Payments received on account	106	293
Trade creditors	731	1,146
Amounts owed to group undertakings	2,425	50
Taxation and social insurance	275	183
Trade finance facility	-	1,363
Other creditors	-	41
Accruals	1,920	738
	<u>5,457</u>	<u>3,852</u>

During the period the Company received a loan of £2,000,000 from a group undertaking. This loan is unsecured and interest is accrued monthly at 7% per annum. The loan is repayable on demand and £1,500,000 was repaid in February 2022. The remaining £425k is a trading balance.

In the prior year the Company owed £50,000 to group undertakings. This balance was unsecured and interest was accrued monthly at 8% per annum. The amount was repaid on acquisition.

The trade finance facility was secured over all of the assets and was repaid on acquisition.

19. Creditors: Amounts falling due after more than one year

	2021	2020
	£000	£000
Bank loans	-	212
Amounts owed to group undertakings	-	1,190
	<u>-</u>	<u>1,402</u>

Amounts owed to group undertakings in the prior year were unsecured and interest was charged at 8%. This was repaid during the year as part of the acquisition of the Company.

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

20. Loans

Analysis of the maturity of loans is given below

	2021	2020
	£000	£000
Amounts falling due within one year		
Bank loans	-	38
Amounts falling due 1-2 years		
Bank loans	-	43
Amounts falling due 2-5 years		
Bank loans	-	169
	-	250
	-	250

Bank loans entered into during the prior year were all subject to interest charges at 13.25% and were repayable by instalments over a 60-month term. All amounts were repaid on acquisition.

21. Deferred taxation

	2021	
	£000	
At beginning of year		114
Charged to profit or loss		(75)
At end of year		39

The deferred tax asset is made up as follows:

	2021	2020
	£000	£000
Accelerated capital allowances	35	109
Short term timing differences	4	5
	39	114
	39	114

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

22. Provisions

	Warranty provision £000	LD provision £000	Total £000
At 1 November 2020	527	125	652
Charged to profit or loss	101	526	627
At 31 December 2021	<u>628</u>	<u>651</u>	<u>1,279</u>

Warranty provision

The Company provides for product warranties as part of individual contractual obligations to its customers. During the year an additional £101k was provided for due to defects in products which were manufactured and identified prior to shipping to customers. The unutilised amount of provision is an adjustment to the warranty estimate based on current contractual terms in customer agreements.

LD provision

The Company provides for liquidated damages for late delivery as part of individual contractual obligations to its customers. During the year an additional £526k was provided for due to sales in the year. The unutilised amount of provision is a release where deliveries are made on time and have therefore not incurred damages.

23. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
21,077,121 (2020 - 21,077,121) Ordinary shares of £0.05 each	1,054	1,054
100,000 (2020 - 100,000) Ordinary deferred shares of £1.00 each	100	100
	<u>1,154</u>	<u>1,154</u>

The deferred shares confer no rights to dividends or voting at a general meeting. On winding up, these shares are repaid at 2.5p per share.

The ordinary shares confer rights to receive dividends and are entitled to one vote per share at meetings of the Company. On winding up, these shares are repaid at par, and entitled to any remaining surplus.

24. Reserves**Share premium account**

Share premium represents the difference between the amount paid for share capital and the nominal value of the share capital.

Revaluation reserve

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings up to 30 September 1997.

Profit and loss account

Retained earnings represents accumulated comprehensive income for the year and prior periods less dividends paid.

PW DEFENCE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021**

25. Capital commitments

At 31 December 2021 the Company had capital commitments as follows:

	2021	<i>2020</i>
	£000	<i>£000</i>
Contracted for but not provided in these financial statements	<u>14</u>	<u><i>97</i></u>

26. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £196,000 (2020: £154,000). Contributions totalling £26,123 (2020: £27,095) were payable to the fund at the balance sheet date and are included in accruals.

27. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021	<i>2020</i>
	£000	<i>£000</i>
Not later than 1 year	24	<i>13</i>
Later than 1 year and not later than 5 years	17	<i>25</i>
	<u>41</u>	<u><i>38</i></u>

PW DEFENCE LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2021

28. Related party transactions

As the Company is a wholly owned subsidiary of a company whose consolidated accounts are publicly available, the Company has taken advantage of the FRS 102 section 33.1A exemption from disclosing transactions with group undertakings.

During the period the Company made payments totalling £nil (2020: £55,578) to an entity under common control. At the period-end amounts totalling £nil (2020: £57,125) were outstanding.

During the period the Company made payments totalling £nil (2020: £19,760) to an entity under common control.

The Company paid expenses totalling £nil (2020: £23,537) to directors of the Company during the period of which none is outstanding (2020: £Nil).

In the prior year the Company had a loan of £190,000 from the Company's previous ultimate parent company. This amount was fully repaid during the period as part of the acquisition.

29. Controlling party

The Company's immediate parent company is PWD Group Limited, a company incorporated in England and Wales.

The Company's ultimate parent company is Thunderbolt Topco Limited, a company incorporated in Jersey.

There is no controlling related party.

Wescom Signal and Rescue International Limited is the smallest group to consolidate PW Defence Ltd.

Wescom Signal and Rescue Group International Limited is the largest group to consolidate PW Defence Ltd.

The Group financial statements of Wescom Signal and Rescue International Limited and Wescom Signal and Rescue Group International Limited are available at the registered office.

30. Prior year adjustment

In the prior year, a sale of £1,052k had been recognised for a sale to a customer, however due to delayed shipment this sale subsequently failed the revenue recognition criteria. This is considered to be a material adjustment to the prior year results.

As such, these financial statements have restated the results for the 2020 year:

- Reduction of Sales and reduction of Trade Debtors by £1,052k;
- Reduction of 'Change in stocks of finished goods and in work in progress' and increase of Stock by £716k; and
- Reduction of Profit and loss account by £336k.