QRO Solutions Limited

Directors' report and financial statements

Registered number 04118351

31 December 2022

Contents

Strategic report

The directors present their strategic report for the year ended 31 December 2022.

Principal activities

QRO Solutions Limited (the "Company") is a company incorporated in the UK.

The principal activities of the Company are the development, production, supply and maintenance of technologies used in advanced security, surveillance and ruggedised electronic applications, in particular end-to-end automatic number plate recognition (ANPR) security and speed enforcement solutions to police forces, and commercial organisations. The Company offers fixed site, mobile, re-deployable and hand-held ANPR systems and software.

Business model

Strategy

The Company's overriding objective is to achieve attractive and sustainable rates of growth and returns in the more sophisticated or high-end of the security, surveillance and ruggedised electronics market. Our strategy to achieve this objective is:

- to focus upon our core products which are used in the emergency services and commercial sectors;
- to continue to invest in developing our technologies through our product roadmap;
- to expand sales into our target markets; and
- to improve operating margins through cost management.

Business review and results

The Company's revenues increased by 20% to £4,422,000 (*2021: £3,688,000*) and made a profit after tax for the year of £535,000 (*2021: £398,000*).

At 31 December 2022 the Company had net assets of £2,163,000 (*2020: £1,628,000*) which the Board considers to be satisfactory.

Key performance indicators

The Company uses a number of key performance indicators (KPI's) to monitor its progress against its objectives. The KPI's are:

- Revenue £4,422,000 (*2021: £3,688,000*)
- Gross profit margin 48.6% (*2021: 44.8%*)
- Net operating margin before group management charges 23.5% (*2021: 18.3%*)
- Cash at bank £942,000 (*2021: £665,000*)

Strategic report *(continued)*

Statement on principal business risks

The management of the business and the execution of the Company's strategy is subject to a number of risks. The main business risks affecting the Company are as follows:

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

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

Government expenditure – many of the industries that utilise the Company's products receive funding from central and local governments. The levels of funding for those industries may impact on demand for the Company's products.

Signed on behalf of the Board

RM Abdullah
Director

Parallel House
32 London Road
Guildford
GU1 2AB

31 May 2023

Directors' report

The directors present their directors' report and the audited financial statements for the year ended 31 December 2022.

Proposed dividend

No dividends were paid or proposed in the year *(2021: £nil)*.

Financial instruments and financial risk management

The Company finances its operations through a mixture of retained earnings and group funding. Its principal financial instruments comprise loans with its parent company and cash together with financial instruments arising from day to day operations, primarily short term debtors and creditors.

Directors and directors' interests

The directors who held office during the period were as follows:

O Abdullah
R M Abdullah
G T Austin

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

By order of the board

R M Abdullah
Director

Parallel House
32 London Road
Guildford
GU1 2AB

31 May 2023

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 Company and of the 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 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 Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QRO SOLUTIONS LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year 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.

We have audited the financial statements of QRO Solutions Limited ("the Company") for the year ended 31 December 2022 which comprise Profit and Loss Account and other comprehensive income, Balance sheet, Statement of changes in equity, Notes to the financial statements 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 Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

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.

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.

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 Directors report and financial statements, 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.

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 course of 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 this gives rise to a material misstatement in the financial

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QRO SOLUTIONS LIMITED
(continued)

statements themselves. 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.

Other Companies Act 2006 reporting

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.

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.

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.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, 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.

Extent to which the audit was 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QRO SOLUTIONS LIMITED *(continued*

Our procedures included, but were not limited to:

- Obtaining an understanding of the legal and regulatory framework in which the entity operates through enquiries of management, review of board minutes and consideration of the industry in which the entity operates. Relevant laws and regulations include data protection and were communicated with the engagement team during the team briefing;
- Obtaining an understanding of management incentives, including the extent to which remuneration is influenced by reported results, and opportunities for fraudulent manipulation of the financial statements such as management override;
- We focussed on the key judgements and estimates and exercised professional scepticism in considering the impact of those estimates and judgements on the reported results and key performance measures such as revenue and the profit before tax;
- Discussions with Management and the Audit Committee regarding known or suspected instances of non-compliance with laws and regulations;
- Obtaining an understanding of controls designed to prevent and detect irregularities, including the internal review process in relation to work in progress balances;
- Review of board meeting minutes for any evidence of fraud or non-compliance with laws and regulations including health and safety and taxation regulations; and
- Testing of journal entries made to accounts that were considered to carry a greater risk of fraud as part of our planned audit approach.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://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.

DocuSigned by:
Malcolm Thixton
2BEB056D80974E4...

Malcolm Thixton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK

1 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Profit and loss account and other comprehensive income
for the year ended 31 December 2022

	Note	**2022**	2021
		£000	£000
Turnover	*2*	**4,422**	3,688
Cost of sales		**(2,271)**	(2,036)
Gross profit		**2,151**	1,652
Administrative expenses		**(1,544)**	(1,276)
Operating profit		**607**	376
Interest payable and similar charges	*4*	**(19)**	(18)
Profit before taxation	*3*	**588**	358
Taxation	*7*	**(53)**	40
Profit for the financial year		**535**	398
Other comprehensive income for the year, net of income tax		**-**	-
Total comprehensive income for the year		**535**	398

All activities in the period were from continuing operations.

Balance sheet
at 31 December 2022

	Note	**2022**	2021
		£000	£000
Fixed assets			
Property, plant and equipment	*8*	**81**	110
Right of use assets	*9*	**150**	134
Intangible assets	*10*	**202**	125
		433	369
Current assets			
Stocks		**599**	300
Debtors	*11*	**1,244**	1,271
Cash at bank and in hand		**942**	665
		2,785	2,236
Creditors: amounts falling due within one year	*12*	**(951)**	(874)
Net current assets		**1,834**	1,362
Total assets less current liabilities		**2,267**	1,731
Creditors: amounts falling due after more than one year	*13*	**(104)**	(103)
Provisions for liabilities	*14*	**-**	-
Net assets		**2,163**	1,628
Capital and reserves			
Called up share capital	*15*	**9**	9
Share premium account		**143**	143
Profit and loss account		**2,011**	1,476
Shareholder's funds		**2,163**	1,628

These financial statements were approved by the board of directors on 31 May 2023 and were signed on its behalf by:

R M Abdullah
Director

Registered number: 04118351

Statement of changes in equity
for the year ended 31 December 2022

	Called up share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	9	143	1,078	1,230
Total comprehensive income for the year				
Profit for the year	-	-	398	398
Balance at 31 December 2021	9	143	1,476	1,628
Balance at 1 January 2022	9	143	1,476	1,628
Total comprehensive income for the year				
Profit for the year	-	-	535	535
Balance at 31 December 2022	**9**	**143**	**2,011**	**2,163**

Notes
(forming part of the financial statements)

1 Accounting policies

Basis of preparation

QRO Solutions Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").*

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK adopted international accounting standards, but makes amendments where necessary in order to comply with Companies Act 2006.

The Company's ultimate parent undertaking, Petards Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of Petards Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address outlined in note 17.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, intangible and tangible fixed assets, right of use assets and lease liabilities;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

Measurement convention

The financial statements are prepared on the historical cost basis.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern

The financial statements have been prepared on a going concern basis.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report. The Company has net current assets of £1,834,000 including cash of £942,000 at the year end and continues to trade profitably.

The Company meets its day to day working capital requirements through its own cash resources and those available to its parent company, Petards Group plc. Further detailed information regarding the financial position of Petards Group is included in the financial statements of Petards Group plc, which can be obtained from the address given in note 17.

The following is extracted from those financial statements:

"Petards is a critical supplier to many of its customers supporting the UK's police and armed forces as well as the safe running of the railways. The main risks to the Group's cash flows identified are firstly, that customers may delay or re-schedule deliveries for orders already in the Group's order book and secondly that, in the short term, contract awards that the Group was expecting to secure for revenue in 2023 may be delayed. By their nature these risks are difficult for the Group to directly influence or control, but by keeping in close contact with our customers we are seeking to ensure that we are well-informed about their plans and prepared to secure contracts awards as and when the opportunities arise. The Group is fortunate that its customer base comprises blue chip companies, the UK Government and its agencies and its exposure to credit risk is low.

The Group currently meets its day to day working capital requirements through its own cash resources and a 3-year overdraft facility of £2.5 million which is available until May 2024. The overdraft facility was not drawn during the year. Interest bearing loans and borrowings, excluding lease liabilities, totalled £125,000 at the year-end.

The Group has prepared working capital forecasts based on the 2023 budget updated for material known changes since it was prepared and the 2023 management accounts to 31 March 2023. The time period reviewed is to 30 April 2024. At 31 March 2023 the Group had cash balances of £2.2 million and the £2.5 million overdraft facility was undrawn. The model also considers the potential impact of rail contract awards that the Group is expecting to secure for revenue during the period that may be delayed or cancelled.

The Board has concluded, after reviewing the work performed and detailed above, that there is a reasonable expectation that the Group has adequate resources to continue in operation until at least 30 April 2024. Accordingly, they have adopted the going concern basis in preparing these financial statements."

Financial assets and liabilities

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

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset transaction costs that are directly attributable to the acquisition of the financial asset.

The Company subsequently measures trade and other receivables and contract receivables at amortised cost.

For trade and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. No expected credit loss provisions have been recorded.

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

Notes *(continued)*

1 Accounting policies *(continued)*

Contracts with customers

Revenue represents income derived from contracts for the provision of goods and services by the Company to customers in exchange for consideration in the ordinary course of the Company'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.

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied and control of the goods or services is transferred to the customer.

The majority of the Company'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.

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

For each performance obligation to be recognised over time, the Company recognises revenue using an input method, based on costs incurred in the period. 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. Revenue and associated margin are therefore recognised progressively as costs are incurred, and as risks have been mitigated or retired. The Company has determined that this method faithfully depicts the Company's performance in transferring control of the goods and services to the customer.

The Company's contracts that satisfy the over time criteria are typically services and maintenance support contracts where the customer simultaneously receives and consumed the benefit provided by the Company's performance.

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

Notes *(continued)*

1 Accounting policies *(continued)*

***Contracts with customers** (continued)*

Revenue and profit recognition (continued)

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust its transaction price for the time value of money.

Software licences

The Company sells software licences which provides a right to use the Company's intellectual property as it exists at the point in time at which the licence is granted and revenue is recognised on delivery to the customer.

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 Company does not have a contract. This is often because fulfilment costs have been incurred in expectation of a contract award. The Company 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 Company has an unconditional right to consideration in respect of unbilled revenue recognised at the balance sheet 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.

Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Plant and equipment	-	3 to 5 years, straight line
Motor vehicles	-	25% straight line
Computer equipment	-	3 to 5 years, straight line

Intangible fixed assets

Intangible fixed assets, other than development costs, are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of intangible fixed assets. The estimated useful lives are as follows:

Intellectual property rights	-	7 years, straight line

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 Company has the technical ability and has sufficient

Notes *(continued)*

1 Accounting policies *(continued)*

Research and development (continued)

resources to complete development and if the Company 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 (3 to 5 years from 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.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company 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; 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's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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.

Intra-group financial instruments

Where the Company enters into financial guarantees contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for these 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.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet 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 temporary difference can be utilised.

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Post-retirement benefits

The Company contributes to employees' personal pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Leases

The Company 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 amortised 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 Company'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 Company. In determining the lease term, management considers all facts and circumstances that create an economic incentive to extend or termination a property lease. Termination options are only included in the lease term if it is reasonably certain that the lease will not 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 Company.

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.

Notes *(continued)*

2 Turnover

A geographical analysis of the Company's turnover is as follows:

	2022 £000	2021 £000
UK	**4,331**	3,163
Overseas	**91**	525
	4,422	3,688

The timing of revenue recognition can be analysed as follows:

	2022 £000	2021 £000
Products and services transferred at a point in time	**3,807**	3,202
Products and services transferred over time	**615**	486
	4,422	3,688

All turnover arises from the sale of goods in the current and prior periods.

3 Notes to the profit and loss account

	2022 £000	2021 £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	**34**	24
Amortisation of right of use assets	**49**	41
Amortisation of intangible fixed assets	**26**	23
(Profit) on disposal of right of use assets	**-**	(8)
Auditors' remuneration:		
Audit of these financial statements	**10**	10

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of Petards Group plc.

Notes *(continued)*

4 Interest payable and similar charges

	2022 £000	2021 £000
Interest expense on lease liabilities	**15**	17
Exchange rate losses	**4**	1
	19	18

5 Remuneration of directors

	2022 £000	2021 £000
Directors' emoluments	**215**	177
Contribution to directors' defined contribution pension	**13**	13
	228	190

6 Staff numbers and costs including directors

	2022 Number	2021 Number
Direct	**6**	6
Development	**5**	5
Office management, administration and sales	**6**	7
	17	18

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	**891**	885
Social security costs	**126**	105
Other pension costs	**37**	37
	1,054	1,027

Notes *(continued)*

7 Taxation

Recognised in the profit and loss account

	2022 £000	2022 £000	2021 £000	2021 £000
UK corporation tax				
Total current tax	112		21	
Adjustments in respect of prior years	(57)		(60)	
Total current tax		55		(39)
Deferred tax (note 14)				
Origination of timing differences	(16)		10	
Adjustments in respect of prior years	14		2	
Effect of change in corporation tax rate	-		(13)	
Total deferred tax		(2)		(1)
Tax charge/(credit) on profit on ordinary activities		53		(40)

Reconciliation of effective tax rate

	2022 £000	2021 £000
Profit before tax	588	358
Tax using the corporation tax rate of 19% *(2021: 19%)*	111	68
Expenses not deductible for tax purposes	-	(1)
Adjustments in respect of prior years	(42)	(58)
Utilisation of previously unrecognised tax losses	(12)	(36)
Effect of change in corporation tax rate	-	(13)
Effect of change in deferred tax rate	(4)	-
Total tax charge/(credit)	53	(40)

Factors that may affect future current and total tax charges
The main rate of UK corporation tax, which was 19% for the year, will change to 25% with effect from 1 April 2023. That change was substantively enacted on 24 May 2021 and therefore the effect of this rate reduction has been applied to the deferred tax balances as at 31 December 2022.

Notes *(continued)*

8 Property, plant and equipment

	Plant and equipment £000
Cost	
At 1 January 2022	167
Additions	9
Disposals	(21)
At 31 December 2022	154
Depreciation	
At 1 January 2022	57
Charge for the year	34
Disposals	(18)
At 31 December 2022	73
Net book value	
At 31 December 2022	**81**
At 1 January 2022	110

9 Right of use assets

	Land and buildings £000	Motor vehicles £000	Total £000
Cost			
Balance at 1 January 2022	194	59	253
Additions	14	51	65
Disposals	-	(12)	(12)
Balance at 31 December 2022	208	98	306
Amortisation			
At 1 January 2022	81	38	119
Charge for the year	29	20	49
Disposals	-	(12)	(12)
At 31 December 2022	110	46	156
Net book value			
At 31 December 2022	**98**	**52**	**150**
At 1 January 2022	113	21	134

Notes *(continued)*

10 Intangible fixed assets

	Intellectual property rights £000	Development costs £000	Total £000
Cost			
At 1 January 2022	150	13	163
Additions	-	103	101
Disposals	-	-	-
At 31 December 2022	150	116	266
At 1 January 2022	36	2	38
Charge for the year	21	5	26
At 31 December 2022	57	7	64
Net book value			
At 31 December 2022	**93**	**109**	**202**
At 1 January 2022	114	11	125

11 Debtors: amounts falling due within one year

	2022 £000	2021 £000
Trade debtors	**787**	451
Amounts owed by group undertakings	**359**	723
Other debtors	**26**	8
Deferred tax assets (Note 14)	**56**	53
Prepayments and accrued income	**16**	36
	1,244	1,271

12 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Lease liabilities	**54**	36
Amounts owed to group undertakings	**-**	96
Trade creditors	**202**	300
Taxation and social security	**79**	52
Accruals and deferred income	**616**	390
	951	874

Notes *(continued)*

13 Creditors: amounts falling due after more than one year

	2022 £000	2021 £000
Lease liabilities	**104**	103

14 Deferred tax assets and liabilities

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

	2022 £000	2021 £000
Property, plant and equipment	**(21)**	(22)
Short term timing differences	**4**	3
Tax value of loss carry-forwards	**75**	75
Intangible fixed assets	**(2)**	(3)
	56	53

Movement in deferred tax during the period

	1 January 2022 £000	Recognised in income £000	31 December 2022 £000
Property, plant and equipment	**(22)**	**1**	**(21)**
Short term timing differences	**3**	**1**	**4**
Tax value of loss carry-forwards	**75**	**-**	**75**
Intangible fixed assets	**(3)**	**1**	**(2)**
	53	**3**	**56**

Movement in deferred tax during the prior year

	1 January 2021 £000	Recognised in income £000	31 December 2021 £000
Property, plant and equipment	(6)	(16)	(22)
Short term timing differences	1	2	3
Tax value of loss carry-forwards	57	18	75
Intangible fixed assets	-	(3)	(3)
	52	1	53

Recognised and unrecognised deferred tax assets relating to the Company's ProVida business transferred from another group undertaking in 2020 were transferred at book value.

Notes *(continued)*

14 Deferred tax assets and liabilities *(continued)*

The unrecognised deferred tax asset is as follows:

	2022	2021
	£000	£000
Property, plant and equipment	**272**	331
Tax value of loss carry-forwards	**1,805**	1,765
Tax assets	**2,077**	2,096

15 Called up share capital

	2022	2021
	£000	£000
Allotted, called up and fully paid		
1,000 Ordinary A shares of £1 each	**1**	1
7,500 Ordinary B shares of £1 each	**7**	7
700 Ordinary C shares of £1 each	**1**	1
	9	9

16 Commitments

At 31 December 2022 the Company had no capital commitments *(2021: £22,000).*

17 Ultimate parent company and controlling party

Petards Group plc is the Company's ultimate parent undertaking. The only group in which the results of the Company are consolidated is that headed by Petards Group plc. Its financial statements are available from Parallel House, 32 London Road, Guildford, GU1 2AB. Petards Group plc is listed on the Alternative Investment Market (AIM) and has no controlling party.