

Corporate

Current price **8.5p**

Sector **Electronic & Electrical Equipment**

Code **PEG.L**

Listing **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) **5.2**

Shares in issue (m) **60.7**

52 weeks (p) High Low
11.75 **7.25**

Financial year end **December**

Source: Company Data, Allenby Capital

Key Shareholders

K7 Financial Company WLL **14.19%**

Philip J Milton & Co plc **8.10%**

RM Abdullah **6.06%**

TWG Charlton **5.35%**

A Perloff **4.94%**

O Abdullah **3.99%**

MT Zahid **3.09%**

Source: Company Data, Allenby Capital

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Petards Group plc (PEG.L)

A diversified value play with strong upside potential

We view Petards Group as a compelling value opportunity within the diversified electronics/electrical sector. Although past performance has been constrained by weak rail and defence end-markets, leading indicators now suggest both are turning more supportive. At the same time, a rising contribution from higher-margin recurring revenues is improving earnings quality and reducing reliance on lumpier project activity. Combined with a leaner cost base and enhanced operational gearing, this leaves the Group well placed to translate recovering demand into stronger profitability. We initiate with forecasts for FY26 and derive a fair value of 14p based on a broad based peer group analysis.

- **Activities** – Petards is a specialist provider of security, surveillance and communications technology solutions to an established base of blue-chip customers, including the MoD, Network Rail, BAE Systems, Siemens, Alstom, Hitachi and Rheinmetall. The Group currently operates in the rail, defence, traffic and wireless communication markets.
- **Rail & Defence** – Petards Joyce-Lobel (PJL) supplies digital CCTV and on-train surveillance systems while RTS Solutions provides rail operators and contractors with software covering resource planning, asset management, safety and fault management. PJL also designs and manufactures electronic solutions for a wide range of defence applications, including control systems, airborne defensive aids and advanced visual surveillance. The business is also positioned on the Army's important Challenger 3 upgrade programme, under which 148 vehicles are expected to enter service by 2030.
- **Traffic** – Through QRO, the Group holds a strong position in Automatic Number Plate Recognition (ANPR) systems supplied to UK police forces and other safety applications.
- **Wireless** – Affini, acquired in 2024, broadens the Group's exposure to mission-critical communications through the provision of radio and wireless systems integration, communications projects and managed services for UK critical infrastructure customers.
- **Interims** – Encouraging H1 results to June 26 announced on 11 September, help underpin our conviction for strong recovery with a 53% rise in adjusted EBITDA and a return to operating profit against a loss in the comparative period. Positive cash generation also led to a further reduction in net debt to £1.2m with further deleveraging expected in H2.
- **Strong order book supports FY26 forecasts** - The Group's diversified portfolio and broadening end-market exposure have contributed to the positive interim results, providing a solid underpinning for our FY26 forecasts of revenue of £15.7m, adjusted EBITDA of £1.6m and an adjusted loss before tax of £0.2m, reinforcing our view that the shares are undervalued with reference to a peer group of UK-quoted electronic/electrical companies (see page 23).

Year End: December					
(£'000)	2022A	2023A	2024A	2025A	2026E
REVENUE	10,872	9,424	12,016	14,947	15,700
ADJ. EBITDA	1,160	340	410	1,002	1,590
ADJ. (L)/PBT	178	-542	-945	-677	-200
ADJ. EPS (p)	0.93	-0.70	-1.08	-0.67	-0.33
NET CASH/(DEBT) (excl IFRS16)	1,891	1,241	-1,535	-1,339	-810
EV/EBITDA (x)	2.8	11.5	16.3	6.5	3.8

Source: Company; Allenby Capital. Allenby Capital acts as Nomad & Joint Broker to Petards Group plc (PEG.L).

Please refer to the last page of this communication for all required disclosures and risk warnings.

Table of Contents

Investment proposition	Page 3
Brief history and activities	4
Half year summary - financials	5
Half year summary – commentary	6
Overview of operations	8
• Petards Joyce-Loebl	8
• Affini Technology Group	15
• QRO Solutions	18
Forecasts	21
Valuation	22
Income statement	23
Balance sheet	24
Cash flow	25
Disclaimer	26

Investment proposition

- **Attractive entry point ahead of cyclical recovery** – Following a prolonged period of subdued trading, Petards appears increasingly well positioned to benefit from recovering demand across rail, defence, logistics and law enforcement end-markets.
- **Recovery in core divisions supports earnings progression** – Both Rail and Defence appear to be emerging from a cyclical low, with improving tender activity and programme momentum creating scope for a meaningful recovery in revenue and profitability over the next 12–24 months.
- **Exposure to structurally attractive end-markets** – The Group operates across rail, defence, public safety and critical communications markets, where medium-term demand drivers are supported by infrastructure modernisation, security requirements and resilience-led spending.
- **Increasing proportion of recurring revenue** – Higher-margin managed services, after-sales support, refresh and maintenance revenues are becoming a larger component of Group sales, enhancing earnings visibility and reducing volatility.
- **Improving earnings quality** – The mix shift towards software, managed services, maintenance and support should support stronger margins, improved revenue visibility and greater resilience through the cycle.
- **Operational gearing provides upside to growth** – With an appropriate fixed-cost base now in place, incremental revenue growth has the potential to translate into a disproportionate improvement in profitability.
- **Defensible competitive positioning** – In a number of applications, Petards occupies a sole-supplier or highly embedded position, where product reliability, certification and operational performance are more important than pure price competition.
- **Deep integration within customer programmes** – The Group benefits from long-standing customer relationships and, in certain cases, contributes to system design, standards development and framework activity, reinforcing its strategic relevance and bid positioning.
- **Affini broadens capabilities and enhances mix** – Petards most recent acquisition, Affini, adds specialist mission-critical communications capability, broadens sector exposure and increases the weighting of service-led and recurring revenues within the Group.
- **Compelling re-rating potential** – With operational performance improving in 2025 and order momentum expected to strengthen, we consider the current valuation to offer material upside should management convert pipeline opportunities into sustained earnings growth.
- **Fair value** – With reference to an analysis of the valuations of peer group comparisons we attribute a fair value of 14.0p offering an implied upside of 65% against the current share price of 8.5p (see page 23 for more details).

Brief history and activities

History

Petards traces its origins to Screen plc, which was admitted to AIM in March 1997. Prior to its AIM admission, Screen acquired Petards International, then a designer and supplier of command and control systems for CCTV, access control and related security applications. In December 2001, Screen acquired Joyce-Loebl, subsequently changing the acquired company's name to Petards Joyce-Loebl.

In 2005, following a period of operational rationalisation, Screen adopted the name Petards Group plc, reflecting the increasing strategic importance of the Petards businesses within the enlarged Group.

Control of the business then passed to interests associated with Raschid and Osman Abdullah through Water Hall Group plc which became a substantial shareholder in Petards from 2007 onwards and completed a recommended acquisition of the company in 2013.

The subsequent period has been characterised by portfolio development and operational expansion, including the acquisitions of QRO Solutions in 2016, RTS Solutions in 2018 and Affini Technology in 2024, each of which broadened the Group's capability base and end-market exposure.

Group companies and activities

Today, Petards is a specialist provider of technology-enabled products and services to the rail, defence, public safety and critical communications markets. The Group currently operates through four principal subsidiaries:

Petards Joyce-Loebl Ltd – the Group's legacy core operating business, supplying technology-led systems and support services to the UK rail and defence markets.

Affini Technology Group Limited – a systems integrator and managed services provider specialising in radio, wireless and mission-critical communications solutions across a range of regulated and operationally demanding environments.

QRO Solutions Ltd – a specialist provider of end-to-end ANPR, speed enforcement and video-based solutions, with primary exposure to UK law enforcement and related public safety applications.

RTS Solutions Ltd – a rail software and workflow specialist focused on work order management, resource planning and operational efficiency across the UK rail network.

The Group's current structure reflects a combination of legacy rail and defence activities supplemented by acquisitions that have broadened exposure to public safety, rail software and mission-critical communications. Together, these businesses provide Petards with a more diversified operational base and a broader mix of project, product and recurring service revenues.

Interim results to 30 June 2026 (announced 11/09/26)

EXHIBIT 1: H1 2026 FINANCIAL SUMMARY

INCOME STATEMENT

	H1 26A	% ^	H1 25A	2025A
	£000		£000	£000
Adjusted				
Revenue	7,676	-2%	7,856	14,947
Cost of sales	-3,669	-9%	-4,034	-7,517
Gross profit	4,007	5%	3,822	7,430
<i>GP margin</i>	-47.8%	-7%	-51.3%	49.7%
Administrative expenses (before D&A and SBP)	-3,226	-3%	-3,313	-6,428
<i>as a % of revenue</i>	42.0%	0%	42.2%	-57.0%
Adjusted EBITDA	781	53%	509	1,002
Amortisation RoU	-184	17%	-157	-341
Amortisation intangibles	-336	5%	-320	-660
Depreciation	-229	6%	-217	-436
Adjusted operating profit/(loss)	32		-185	-435
<i>Margin</i>	0.4%		-2.4%	-2.9%
Finance expense	-107	-16%	-127	-242
Adjusted profit/(loss) before tax	-75	-76%	-312	-677
Tax	0		0	271
Adjusted post tax profit/(loss)	-75	-76%	-312	-406
Statutory				
Adjusted operating profit/(loss)	32		-185	-435
Share based payments	-18		0	0
Statutory operating profit/(loss)	14		-185	-435
<i>Margin</i>	0.2%		-2.4%	-2.9%
Finance expense	-107	-16%	-127	-242
Statutory profit/(loss) before tax	-93	-70%	-312	-677
Tax	0		0	271
Statutory post tax profit/(loss)	-93	-70%	-312	-406
Adj. EPS basic	-0.12	-76%	-0.51	-0.67
Adj. EPS FD	-0.12	-76%	-0.51	-0.67
Order book at end of period	9,600	43%	6,700	9,100

BALANCE SHEET

Non-current assets	7,381	-1%	7,488	7,670
Current assets	5,127	-1%	5,180	4,811
Total assets	12,508	-1%	12,668	12,481
Current liabilities	-6,041	-1%	-6,104	-5,794
Non-current liabilities	-552	15%	-480	-697
Total liabilities	-6,593	0%	-6,584	-6,491
Net assets	5,915	-3%	6,084	5,990
Net current assets/(liabilities)	-914	-1%	-924	-983
Gross cash	0		205	12
Gross debt (excl IFRS16)	-1,155	-23%	-1,500	-1,351
Net (debt)/cash (excl IFRS16)	-1,155	-11%	-1,295	-1,339

CASH FLOW

Operating cash flow before WC movement	797	57%	509	1,001
Net WC	97	-72%	351	184
Tax	0		0	199
Cash generated from operating activities	894	4%	860	1,384
Cash used in investing activities	-410	22%	-337	-591
Cash used in finance activities	-300	6%	-283	-597
Net change in cash	184	-23%	240	196

Source: Petards Group plc

Financial summary - commentary

Overview

During the six months to 30 June 2026, Petards made solid progress in improving profitability and strengthening its financial position despite revenue easing slightly to £7.7 million from £7.9 million.

Defence – In the Defence segment, revenue increased partly as a result of initial engineering design work for the Army's Challenger 3 tank upgrade programme. This contract, which was announced in December 2025, is worth £2.2m to Petards and is expected to be completed within the next 6 months (from the date of the interims, i.e. 11 September 2026). The design contract represents the first phase of the upgrade programme and is expected to be followed by testing and manufacturing phases. Revenue growth was also driven by the sale of products relating to earlier projects and by support and repair services, both of which provide good margins.

Rail – Order intake improved during H2 25, with the momentum sustained into H1 26 to the extent that the order book at the end of H1 was at a level not seen for over five years. This provides improved visibility into 2026 and 2027 and supports better factory utilisation. It has also strengthened operational gearing, with improved gross margins and profitability.

Affini – Revenue declined primarily as a result of a year-on-year reduction in project work after a particularly strong comparative period, which benefited from a number of one-off projects. However, management is encouraged by several open opportunities that are currently under negotiation.

QRO - Revenues were at a similar level to the first half last year which was encouraging given the weakness experienced in Q4 25. Orders of £0.4 million from new overseas customers are encouraging, but earnings visibility remains limited because full-year performance depends heavily on order timing.

Order intake – As at 30 June 2026, the order book stood at £9.6m (31 December 2025: £9.2m). It has since been supplemented by £2.1m of announced orders across Rail, Defence and QRO.

Outlook - Positive second-half cash generation is expected to support a further reduction in net debt by the year-end. Management remains confident of another significant year-on-year improvement, supported by the stronger order book and current trading momentum.

Income statement

Revenue – Group revenue was 2% below that of the comparative period at £7.7m (H1 25: £7.9m).

Gross profit and margin – Gross profit increased 4.8% to £4.0 million despite revenue declining 2.3%. Gross margin strengthened to 52.2% from 48.7%, reflecting a more favourable mix and improved Rail efficiencies with the improvement seen across all of the Group's divisions.

Administrative expenses – Administrative expenses, excluding depreciation & amortisation and share based payments, were broadly flat at £4.0 million, demonstrating good cost control and allowing the gross-profit improvement to flow through to EBITDA.

Adjusted EBITDA – Adjusted EBITDA rose 53% to £0.8 million, with the margin improving significantly from 6.5% to 10.2%. This is clear evidence of operating leverage being generated through improving gross margin coupled with a stable overhead base.

Depreciation and amortisation – Depreciation and amortisation increased by 8% from £0.69 million to £0.75 million, reflecting the asset base and ongoing capitalised development investment. These non-cash charges continue to create a sizeable gap between EBITDA and operating profit.

Adjusted operating loss – The Group moved to a small operating profit of £14,000 from a £190,000 loss. On an adjusted basis, excluding the £18,000 share-based payment charge, operating profit was approximately £32,000, marking a return to broadly break-even trading.

Net finance expense – Net finance expense reduced to £0.11 million from £0.13 million, providing a modest benefit, although funding costs continue to remain material relative to the Group's current level of operating profit.

Adjusted loss before tax – Excluding the £18,000 share-based payment charge, the adjusted loss before tax was approximately £75,000, substantially improved from £312,000 in the prior period.

Statutory loss before tax – Including the £18,000 share-based payment charge, the statutory loss before tax narrowed to £93,000 from £312,000, indicating that the improvement in gross profit and EBITDA has brought the Group close to a break-even position.

Balance Sheet – Total assets were stable at £12.51 million and equity was £5.92 million. Working capital expanded, with inventories, receivables and payables all higher than at year-end. Cash was fully drawn and total interest-bearing borrowings, including IFRS16 leases, were £2.09 million, leaving liquidity and working-capital management as key investor considerations.

Cash Flow – Operating cash flow remained strong at £0.89 million, modestly ahead of the prior period, helped by higher EBITDA and an increase in payables. After £0.41 million of investment and £0.30 million of financing outflows, net cash improved by £0.18 million, although the Group still ended the period with net debt £1.16 million excluding IFRS16 lease liabilities.

Analysis of Group operations

Petards Joyce-Loebl (PJL)

Petards Joyce-Loebl (PJL) is the Group's principal legacy operating business and remains central to Petards broader investment case. Based in Gateshead, PJL provides technology-led systems, products and support services to the UK rail and defence markets, where it benefits from established customer relationships, long programme cycles and meaningful technical capability. In our view, the business occupies attractive niches characterised by demanding operational requirements, certification barriers and a high premium on reliability and in-service support.

Joyce-Loebl was founded in 1952 and developed from a specialist electronics and instrumentation business into a supplier of engineered solutions for defence, transport, communications and security applications. Petards acquired the company in 2001, and PJL has since evolved into the Group's core operating platform in Rail and Defence. PJL combines a long-established installed base with proven engineering capability in markets where procurement cycles are lengthy and switching costs can be significant.

In recent years, PJL's performance has been constrained by subdued order intake and slower tender conversion across both of its principal end-markets. However, these weaknesses are largely cyclical and externally driven rather than structural and in our opinion does not suggest any deterioration in PJL's underlying competitive position.

Within Rail, activity has been affected by post-COVID disruption, uncertainty associated with industry restructuring and the proposed transition towards Great British Railways, as well as the slow initial deployment of Control Period 7 expenditure. This has delayed customer decision-making and weighed on procurement activity across substantial parts of the UK rail supply chain.

In Defence, trading has also been subdued as UK spending priorities shifted towards more immediate operational requirements and in consequence slowing procurement in categories more relevant to PJL's offering. That said, the strategic backdrop now appears more supportive, with greater emphasis on readiness, resilience and longer-term capability enhancement.

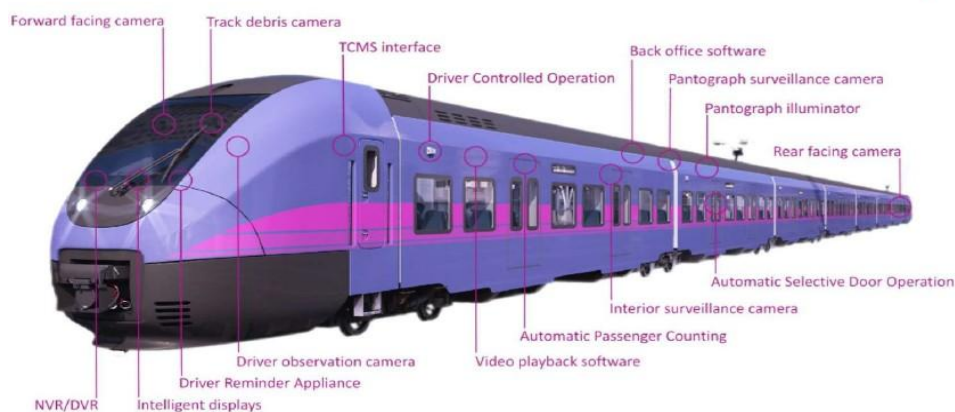
Overall, we believe PJL is moving through the low point in both of its principal end-markets. While visibility remains imperfect, there are now clearer signs that tender activity, customer engagement and programme momentum are improving, creating scope for a stronger order environment over the next 12 to 24 months. Given PJL's importance to the Group, any sustained recovery in Rail and Defence would have meaningful implications for Petards' overall revenue progression, margin recovery and earnings outlook.

The following sections examine PJL's activities in more detail, beginning with its Rail operations before turning to Defence. In each case, the aim is to assess not only the current product and service offering, but also the extent to which improving market conditions could support a more meaningful recovery in trading performance.

Rail (Petards Rail Solutions)

EXHIBIT 2: PETARDS DIVERSE RAIL OFFERINGS

eyetrain.



Source: Petards Group plc

Rail remains one of PJL's two principal end-markets and is an important component of the broader Group's recovery case. Through its eyeTrain platform, Petards supplies integrated surveillance, driver-assist and safety-related technology to train operating companies, ROSCOs and rolling stock OEMs in the UK rail market.

The business benefits from a long-established installed base, with six generations of systems still deployed across UK fleets. In our view, this provides both technical credibility and an ongoing commercial opportunity through refresh, upgrade, maintenance and support activity. This installed-base exposure is a meaningful differentiator in a market where product reliability, certification and compatibility with fleet architectures are critical.

PJL RAIL TEST RIGS



Source: Petards Group plc

Petards' rail capability is supported by in-house testing and validation infrastructure, including more than 20 test rigs used for software release validation, acceptance testing and fleet integration support. This capability helps to reduce deployment risk, reinforce customer relationships and support efficient upgrades across installed fleets.

Taken together, the platform addresses a range of operational, safety and compliance-led requirements across the rolling stock base. The breadth of the offering should support both new project wins and follow-on revenue opportunities from existing customers.

PJL's eyeTrain technology solutions can be considered under the following broad categories:

- Interior Surveillance Cameras
- Forward Facing Cameras
- Driver Controlled Operations
- Automatic Selective Door Operations
- Pantograph Surveillance Cameras
- Track Debris Cameras

We provide a brief description of each category below:

Interior Surveillance Cameras

Petards' AI-enabled interior surveillance systems provide high-resolution onboard monitoring and can support additional functionality such as passenger counting, seat occupancy analysis and object recognition. Through the eyeBOS platform, users can access live footage and diagnostic information across web-enabled devices, supporting both passenger safety and operational oversight.

Forward Facing Cameras

Forward-facing camera systems provide operators with high-quality track imagery for incident review, evidential use and operational monitoring. The broader platform can also support applications such as vegetation management, helping identify encroachment risk and improving work-planning efficiency.

Driver Controlled Operations (DCO)

Petards' DCO systems are designed to support safe and efficient train dispatch. Exterior-mounted cameras provide drivers with clear live platform images via in-cab monitors, helping reduce dwell time while supporting safe boarding and alighting.

Automatic Selective Door Operations (ASDO)

Petards' ASDO systems enable the safe operation of longer trains at stations with short platforms. By combining GPS with vehicle odometry, the system can determine train position accurately and control selective door release with a high degree of precision.

Pantograph Surveillance Cameras

Pantograph surveillance cameras allow operators to monitor pantograph and overhead line condition in real time and review footage quickly following service disruption or technical incidents. This can support faster fault diagnosis and more efficient incident response.

Track Debris Cameras

Track debris cameras are designed to support close inspection of the line ahead when investigating incidents, accidents and near misses. Secure replay functionality enables prompt review of footage and supports operational analysis following events on the network.

The market overview

The near-term trading backdrop for Petards' Rail activities remains shaped by weak procurement conditions in the UK market. Although the strategic case for ongoing rail investment remains intact, the initial phase of Control Period 7 (CP7) has translated into slower order visibility and delayed decision-making across parts of the supply chain.

Figures published to date suggest supplier spend in Year 1 of CP7 of £8.8bn. The slow start to CP7 has been acknowledged by Network Rail and industry bodies, with the first-year profile shaped by inflation, a greater emphasis on design and scoping, and the deferral of some renewals. As a result, visibility has been weaker across parts of the rail supply chain, with knock-on implications for businesses such as Petards that are exposed to fleet upgrades, retrofit activity and wider UK rail procurement cycles. In our view, a more normalised release of CP7 spending would be supportive for order intake across the Rail division.

In summary, we view Rail as a prospective medium-term recovery opportunity for Petards. The combination of an established installed base, differentiated technical capability and broad product coverage should position the business to benefit as UK rail procurement normalises and deferred fleet upgrade activity begins to recover.

Defence

Defence is PJL's second core end-market and, in our view, represents an important source of medium-term recovery potential. The business serves a broad range of defence and prime contractor customers, including the MoD, NATO, the Royal Navy, the British Army, the Royal Air Force, BAE Systems and Leonardo, and operates across six principal capability areas:

- Communication systems
- Advanced visual surveillance
- In-service support
- Mk6 voltage detector and associated equipment
- Control systems
- Real threat simulators

The division's positioning reflects long-standing engineering capability in specialist applications where reliability, certification and lifecycle support are critical. Although procurement visibility has been constrained in recent years, we believe the medium-term demand environment is becoming more supportive as UK defence priorities shift towards readiness, resilience and platform modernisation.

The following sections review each of these capability areas in turn and assess their importance to PJL's broader defence opportunity set.

Communication Systems

PJL provides installation, support and lifecycle services for military communication systems in the UK and overseas. Its experience spans framework-based supply, system integration, maintenance, repairs and training, with a technology-neutral approach that allows the business to configure equipment from multiple vendors according to operational requirements.

A notable example is the MoD's "Radio Catalogue", under which PJL previously supplied commercial radio solutions adapted for military use in the UK and overseas. The framework enabled authorised MoD and wider government users to procure professional mobile radio equipment and related services through an established ordering process.

The original Radio Catalogue framework was awarded to PJL in 2013 and expired in September 2018. The contract has not yet been re-tendered but we understand that a new competition may be launched in the second half of 2026. As the prior incumbent, PJL appears well positioned to participate, although timing and outcome remain uncertain.

PJL also provides site survey, installation, support, repair and training services for professional mobile radio (PMR) systems and supports a range of radio equipment used by the Royal Air Force, including bespoke ancillary equipment designed and manufactured in-house for air traffic and related operational environments in the UK and overseas.

Additional activity includes support and maintenance of leaky feeder communications systems in underground MoD facilities, replacement of legacy RAF airfield equipment, and repair and post-design support for HF, VHF and UHF radio systems used on military aircraft.

Bespoke hardware solutions

PJL develops bespoke hardware solutions for military platforms that require compliance with demanding environmental, EMC and TEMPEST standards. This capability supports the Group's positioning in specialist applications where design authority, ruggedisation and technical certification are important differentiators.

One example would be TEMPEST-compliant housings for computer systems used on Royal Navy surface vessels and Astute-class submarines in datalink applications.

In another example, PJL in a JV with Calibre (UK), developed SentryView20, a fit-for-purpose replacement display for the RAF Sentry E3D fleet. The system delivered improved performance and was subsequently fitted to the French Air Force AWACS fleet.

In-service support – integrated logistics support, post-design services and obsolescence management

In-service support is another important component of PJL's defence capability. The business provides integrated logistics support, post-design services and obsolescence management across a range of military platforms and systems, helping customers extend equipment life, maintain availability and manage platform complexity over time.

Relevant services include engineering studies, trials support, ruggedisation, pre-compliance testing, TEMPEST, air qualification, build-to-print manufacture, project management, repair and refurbishment, obsolescence management and technical publications to military and commercial standards.

Mk6 Voltage Detector & Associated Equipment

PJL manufactures and supplies the Mk6 voltage detector and a range of associated support and test equipment. The Group acts as design authority for the product and holds the relevant intellectual property, which supports a defensible position in a specialist and mission-critical application.

The Mk6 is used on Eurofighter Typhoon and BAE Hawk aircraft for voltage and integrity testing. Because the equipment requires annual checking and recalibration, the installed base provides a recurring stream of service activity in addition to initial product supply.

Control Systems

PJL designs and manufactures a range of electronic control systems, spanning lower-complexity power distribution units through to more advanced microprocessor-based systems. This capability supports both new-build opportunities and longer-term sustainment programmes for established defence platforms. Such systems include: Driver instrument panels; Vehicle Integrated Control Systems (VICS); Hull contactor panels and Power distribution boxes

The business also supports legacy control systems, including sustainability and upgrade programmes designed to extend platform life and improve the performance of installed equipment.

Case study – Challenger 3 tank upgrade programme

A useful case study is the Challenger 3 tank upgrade programme. PJL designed and built the Vehicle Integrated Control System (VICS), which replaces the obsolescent unit installed on Challenger 2, Titan and Trojan engineering vehicles. VICS is the central digital system used to monitor and manage key mechanical and electrical subsystems.

Challenger 2 entered service from the mid-1990s, and Petards' VICS was incorporated across the legacy fleet. Under an £800m contract awarded in May 2021, Rheinmetall BAE Systems Land (RBSL) was selected to upgrade 148 Challenger 2 tanks to Challenger 3 standard. The upgraded fleet is expected to remain in service into the next decade, supporting a longer-term support opportunity alongside production content.

EXHIBIT 3: CHALLENGER 3 MAIN BATTLE TANK



Source: UK MoD

Because VICS has already been deployed operationally on Challenger 2, we believe PJL is well positioned to support both development and production phases of the Challenger 3 programme, as well as subsequent through-life support activity. The upgraded system is expected to incorporate a more advanced digital architecture capable of supporting enhanced sensors, electronics, battlefield networking and protection systems.

We understand that PJL's VICS is likely to feature in pre-production Challenger 3 vehicles currently in demonstration and trials, although we have not independently verified the precise number of vehicles fitted with Petards systems.

The programme remains in demonstration and trials, with initial operating capability targeted for 2027 and all 148 vehicles expected to be in service by the end of 2030. Current activity is focused on testing and qualification ahead of the final manufacturing standard.

In December 2025, PJL secured a £2.2m contract from RBSL for initial engineering design and obsolescence management services on the upgrade programme. The award provides tangible evidence of participation and we look forward to the larger commercial opportunity to emerge as the programme moves towards full production.

£1.1bn commitment to complete production of Challenger 3

In June 2026, the publication of the UK Defence Investment Plan (DIP) included a specific **£1.1bn commitment to complete production of the Challenger 3 upgrade programme** materially strengthening programme visibility and directly supporting the strategic relevance of PJL's VICS platform and its specialist engineering and obsolescence-management capabilities.

This commitment reduces funding risks around the wider programme and increases confidence that the current £2.2m contract award mentioned above, can lead to a larger production opportunity followed by longer-term through-life support revenues. Nevertheless, the timing and scale of any further award to PJL remain dependent on RBSL's procurement and production schedule.

The market overview

The near-term trading backdrop for PJL's Defence activities has improved following publication of the DIP on 30 June 2026. The plan provides greater strategic and funding visibility across the defence market, although the conversion of these commitments into programme-level procurement and contract awards is likely to remain gradual.

The DIP is backed by £298bn of defence investment over the four years from 2026/27 to 2029/30 and is intended to implement the ambitions of the 2025 Strategic Defence Review. Of particular relevance to PJL, the plan commits more than £20bn to land capability, including autonomous systems, long-range missiles, artificial intelligence and armoured vehicles, reinforcing the strategic priority attached to Army modernisation.

For Petards, the DIP provides a more supportive framework for medium-term demand and improves confidence that land-platform modernisation will remain a funding priority. Most importantly, it includes a specific £1.1bn commitment to complete production of the Challenger 3 upgrade programme.

In summary, we view Defence as a realistic medium-term recovery opportunity for Petards. The combination of specialist engineering capability, embedded platform exposure and through-life support potential should position the business to benefit as procurement visibility improves and delayed programme activity begins to normalise.

Affini Technology Group Limited (Affini)

AFFINI OPERATIONS



Acquired in June 2024

Affini was acquired by Petards in June 2024 for £2.8m in cash and shares, including acquired cash of £0.5m. The strategic rationale was clear: the business added communications capability, increased exposure to recurring revenue and aligned well with the Group's objective of broadening its portfolio into higher-quality service-led activities.

Activities – Highly specialised mission-critical communications

Affini broadens Petards' exposure into mission-critical communications and in our view, materially improves the quality of the Group's revenue mix. The business operates as a systems integrator and managed services provider specialising in radio and wireless communications solutions for regulated, operationally demanding environments.

Strategically, Affini is important because it adds a higher proportion of service-led and recurring revenues, deepens the Group's capability in communications infrastructure, and extends end-market exposure into aviation, nuclear, defence, public safety and transport. These are sectors where reliability, compliance and lifecycle support are critical, which should favour established specialist providers such as Affini.

Affini also strengthens the Group's earnings quality through a meaningful recurring revenue base derived from managed services, the Affini Matrix and Radius SaaS platforms, and 24/7 maintenance and monitoring income. We estimate that approximately 50% of FY25 revenue was recurring in nature, with these revenues likely to carry a higher margin than project work.

History and sector focus

Affini's expertise spans the communications lifecycle, enabling it to offer an end-to-end service from consultancy, design and systems integration through to maintenance, service management and managed operations. This breadth is commercially important because it supports both project delivery and recurring aftermarket revenues.

The business traces its roots to 1974, when the radio division of an organisation that later formed part of British Airways was separated into a standalone business. Historically focused on aviation communications, Affini has since broadened into adjacent sectors where its engineering capability is relevant and barriers to entry high.

Since 2019, management has expanded the business into blue-light communications, nuclear and construction environments and defence-related opportunities. This broadening appears consistent with a strategy of applying established communications expertise into markets characterised by complex operating conditions and long customer relationships.

Affini currently focuses on five principal sector groupings:

Transport – The support of communications infrastructure across aviation, rail and bus environments. In aviation, it operates infrastructure at 24 UK airports and holds relevant spectrum licences and airside permissions, supporting customers such as Swissport and Menzies. In rail and bus, the business provides communications solutions designed to support operational continuity in high-traffic transport environments.

Blue-light and public safety – Affini maintains critical communications infrastructure used by emergency services and the Airwave network under contracts recently extended to 2029. The business has also developed fire-ground communications solutions designed to

work in demanding operational environments while remaining compatible with existing systems.

Energy – The business has completed consultancy work for National Grid and continues to pursue opportunities associated with communications infrastructure in power and utilities settings.

Defence – Affini is a framework supplier to Crown Commercial and has secured maintenance and managed services work at HM Naval Base Clyde which in our view, provides a credible base from which to pursue further defence-related communications opportunities.

Construction – Through its work on major infrastructure projects, Affini has developed relationships with principal contractors and demonstrated capability in large, complex project environments.

Affini's USP

Independent systems integrator

Affini operates independently of any single equipment vendor and maintains relationships with a range of hardware providers. In practice, this should allow the business to design and integrate solutions that are more closely matched to customer requirements, while reducing reliance on any one supplier ecosystem.

Deep domain expertise

Affini also benefits from deep engineering and RF expertise in heavily regulated and logistically complex environments. Relevant capability includes radio, wireless, DAS, push-to-talk-over-cellular, LTE/5G and hybrid communications systems, supported by end-to-end design, deployment, lifecycle management and operational support.

Strong recurring revenue

A further attraction is the strength of the recurring revenue base. Multi-year support contracts, managed infrastructure, maintenance, monitoring and software platforms should provide a more predictable earnings stream than project-led activity alone, while also creating opportunities for upgrades and expansion over time.

Proven delivery in highly regulated environments

Affini has delivered communications systems in environments where reliability, compliance and safety are critical, including major airports, nuclear sites and emergency-services infrastructure. In our view, this track record supports the credibility of its offering and may help underpin customer retention and repeat work.

Case Studies

Site-wide construction communications solution to new nuclear build project

A useful illustration of its capabilities is Affini's work on a major UK **nuclear** infrastructure programme, where they were selected to provide critical communications across a large, complex and constantly evolving operational environment. The solution extends into some particularly challenging areas, including tunnels, galleries, below-ground structures, and confined spaces where maintaining reliable coverage requires specialist engineering and careful system design. Communications support a large and diverse workforce and are designed around both everyday operational requirements and emergency preparedness and response. This experience demonstrates Affini's ability to engineer,

integrate and support resilient communications at scale, particularly in environments where safety, reliability and continuity of communication are critical.

Swissport

Swissport selected Affini to consolidate around twenty UK communications contracts into a single, consistent service following its acquisition of Servisair in 2013. In a mission-critical airport environment—where even short delays can eliminate a ground handler's profit—Affini's extensive aviation experience, existing infrastructure at fourteen UK airports and ability to design, build and operate end-to-end communications solutions made it a natural partner. Its capabilities span analogue community radio, digital radio and unified communications, supporting Ground-to-Ground, Ground-to-Air and Ground Movement Control operations.

Affini provides Swissport with more than 1,000 radio units across 14 stations, backed by 24x7 technical support, a Network Operations Centre, service ticketing, device swap-outs and user training. This full-service model has standardised radio functionality across Swissport's UK airport operations, reduced integration complexity and created a single point of accountability for reliable communications.

Affini also offers a clear migration path from legacy analogue equipment to Affini Real Time Connect, its cloud-based unified communications platform, helping Swissport improve aircraft turnaround efficiency while preparing for future operational demands.

Future growth opportunities

Affini's revenue growth has been relatively modest in recent years, reflecting technology transition and a slower project environment following COVID. However, the near-term outlook appears to be improving, supported by a larger recurring revenue base and a more constructive pipeline in nuclear and aviation communications.

Notably, Affini recently extended its contract with EDF at Hinkley Point C for a further five years, while the July 2025 approval of Sizewell C should support a broader multi-year opportunity set in nuclear construction communications. Aviation markets also appear to be showing signs of improvement, with a number of potential projects and contract extensions in the pipeline.

In our view, the combination of recurring managed services income and selective exposure to larger project opportunities gives Affini a potentially attractive growth profile within the Group, with scope to contribute both revenue diversification and margin support over time.

In summary, we view Affini as a strategically important addition that improves the quality of Petards' revenue mix. The combination of mission-critical communications capability, significant recurring revenue and exposure to regulated infrastructure markets should support a more resilient and diversified earnings profile over the medium term.

QRO Solutions (QRO)

Activities – (Automatic Number Plate Recognition) ANPR solutions

QRO Solutions (QRO) is Petards' specialist Automatic Number Plate Recognition (ANPR) and public-safety technology division. Established in 2000 and acquired by Petards in 2016, QRO provides integrated ANPR hardware, software and back-office systems primarily to UK police forces. The business offers a combination of a large installed base, growing software-led recurring revenue potential and increasing proprietary product content.

QRO's capabilities span fixed-site and mobile ANPR assets, supported by its software suite including QRO Back Office Management Server (CSGS to be replaced by SCUIGS) Instant Alerting Console (Mobile remote ANPR alerting) and the newer AURA camera monitoring platform. The division also broadens Petards' exposure into public-safety markets beyond its traditional rail and defence activities.

Customer base

Around 97% of QRO's revenue is generated from UK police and related public-safety customers, with the remainder from systems integrators. QRO holds a leading position in UK police ANPR hardware, supplying camera systems to 25 of the 45 UK police forces.

Approximately half of the installed camera base is QRO-designed, with the remainder sourced from third-party vendors. The continued shift toward proprietary hardware supports improved product control, differentiation and margin capture.

Software represents roughly a quarter of revenue and carries materially higher margins. Only 17 police forces currently use QRO's back-office software despite 25 using its camera systems, highlighting a meaningful cross-sell opportunity and scope for recurring revenue growth.

Products and solutions

QRO has transitioned from a systems integrator to a developer of proprietary ANPR hardware, strengthening intellectual property ownership and improving international scalability. The current portfolio centres on two principal platforms:

- The Harrier AI
- The Harrier Mini

Harrier AI

Harrier AI is QRO's next-generation ANPR camera platform, combining high-performance imaging with onboard AI processing. Harrier AI supports traditional law-enforcement ANPR as well as wider applications including traffic enforcement, urban charging schemes, parking management and journey-time analysis.

Enhanced analytics include vehicle classification, make, model and colour as well as ADR (Hazard Plate reading).

EXHIBIT 4: HARRIER AI

Source: QRO Solutions Ltd

Harrier Mini

The Harrier Mini is a compact, all-in-one ANPR camera designed for flexible deployment across vehicle-based and fixed infrastructure settings. Its small form factor, integrated ANPR and wireless networking capabilities and ease of installation make it suitable for discreet or space-constrained roadside environments. Applications extend beyond ANPR into compliance monitoring, roadside safety and parking management.

EXHIBIT 5: HARRIER MINI

Source: QRO Solutions Ltd

Software Platforms**AURA**

AURA provides real-time monitoring of ANPR camera health, uptime and operational status across large estates. For customers managing extensive deployments, AURA improves operational efficiency and reduces manual maintenance effort. For QRO, AURA represents a scalable recurring-revenue opportunity, particularly given the current under-penetration of software among existing hardware customers.

SCUIGS (Updated CSGS Browser Interface) Back Office

SCUIGS is a multi-platform ANPR back-office system capable of receiving force-wide ANPR data from both fixed and mobile assets in real time. Functionality includes integration with the Instant Alerting Console (IAC) mobile application, automated delivery of force data to the National ANPR Service, distribution of alert lists to remote devices, real-time alerting, and full integration with AURA to provide a comprehensive, feature-rich back-office environment.

Together, SCUIGS and AURA form a differentiated back-office proposition with the potential to capture additional market share as forces modernise their ANPR infrastructure.

Instant Alerting Console (IAC)

QRO's Instant Alerting Console (IAC) is a mobile-first alerting platform designed to deliver real-time ANPR intelligence directly to frontline officers. The application receives live event data from force ANPR systems and distributes actionable alerts to authorised users across operational units.

IAC enhances situational awareness by providing immediate notifications of vehicles of interest, enabling faster response times and more effective deployment decisions. The platform integrates with QRO's back-office systems, allowing forces to push alert lists, manage permissions and maintain audit trails within a secure environment.

Operationally, IAC strengthens the value proposition of QRO's wider ANPR ecosystem by extending intelligence delivery beyond control rooms and into the field. Strategically, it supports higher-margin software adoption and increases customer stickiness, reinforcing QRO's position within UK policing as forces modernise their mobile workflows.

Competitive Landscape

In the UK, QRO's main competitor in police ANPR hardware is Cleartone, which has a smaller hardware footprint but a stronger position in certain back-office software applications. International competitors include Tattile, MACQ and Neology. QRO's proprietary hardware and AI-enabled capability now provide a more credible international offering than in the past.

Strategic Outlook

QRO's strategy is to build on its leading UK police ANPR hardware position and evolve into a broader AI-enabled public-safety technology provider. Key drivers of medium-term value include:

- Expansion of higher-margin software revenues
- Increased penetration of proprietary camera platforms
- Development of overseas markets
- Strengthening of AI-enabled analytics and compliance functions

International activity is increasing following the appointment of an international business development manager in late 2024. Early initiatives include trade exhibitions, proof-of-concept trials and direct customer engagement, with several opportunities progressing toward potential orders.

A recent four-year framework award with Northumbria Police illustrates QRO's competitive strength. QRO ranked first on the ANPR lot, positioning it as preferred supplier for direct awards under the framework. The framework is also accessible to Cleveland Police, expanding the potential customer base and improving revenue visibility.

In conclusion, we believe that QRO is a strategically important division within Petards. Its strong installed base in UK police ANPR, significant software cross-sell potential, increasing proprietary product content and emerging international opportunities support a more attractive medium-term growth profile. The division offers both margin expansion potential and optionality through AI-enabled analytics and overseas market development.

Forecasts

Revenue visibility is improving as recurring sales become a larger component of the Group's revenue mix. However, Petards remains exposed to project-led activity, which can create variability in timing and order conversion.

While the current order book is encouraging, we believe it is prudent at this stage to publish forecasts for one year only. In due course, as visibility improves and the contribution from recurring revenues increases, we would expect to extend the forecast horizon to two years.

For the financial year ending December 2026, we are projecting an increase in revenue to £15.7m (FY25: £14.9m), adjusted EBITDA of £1.6m (FY25: £1.0m), adjusted loss before tax of £0.2m (FY25: loss £0.7m) and a reduction in net debt to £0.8m (FY25: £1.3m) as a result of internal cash generation.

While not offering forecasts for FY27 at this time, it is worth noting that £0.2m of amortisation charges will drop out of the income statement as intangible assets relating to Generation 6 equipment at PJJ will have been fully amortised during the next financial year.

In addition, we would anticipate a further reduction in net interest charges as debt is repaid through internal cash generation

Valuation

With regard to valuation, we prefer to look at peer group metrics and in this respect we note that Journeo and LPA offer certain similarities in regard to end markets and to a lesser degree, product/solutions/services.

EXHIBIT 6: VALUATION METRICS (as at 7/10/26)

	MC	Price	EBITDA (£m)			EPS (p)			EV/Sales (x)			EV/EBITDA (x)			PER (x)		
	£000	p	Yr 0	Yr 1E	Yr 2E	Yr 0	Yr 1E	Yr 2E	Yr 0	Yr 1E	Yr 2E	Yr 0	Yr 1E	Yr 2E	Yr 0	Yr 1E	Yr 2E
Journeo	96.8	545.0	7.0	8.9	9.6	23.8	32.4	33.4	1.5	1.1	1.0	12.1	9.1	8.0	22.9	16.8	16.3
Judges	238.8	3585.0	32.3	24.4	26.4	271.0	200.5	224.8	2.0	2.3	2.1	8.8	11.6	10.6	13.2	17.9	15.9
LPA	11.5	85.0	-0.1	1.9	2.7	0.0	6.1	12.4	0.7	0.5	0.5	-	7.9	5.3	13.9	6.9	-
RC Fornax	5.0	5.2	-1.1	-1.6	-0.2	0.0	-2.3	-0.7	1.1	0.9	0.4	-	-	-	-	-	-
SDI	99.3	95.0	13.7	16.2	16.7	7.2	7.9	8.3	1.8	1.4	1.3	9.5	7.2	6.5	13.2	12.0	11.4
Solid State	94.6	166.0	13.9	14.0	14.9	11.0	11.5	12.7	0.6	0.6	0.6	7.1	6.9	6.3	15.1	14.4	13.1
Transense Tech	7.0	46.0	2.0	0.7	1.0	9.3	0.1	0.8	1.1	1.4	1.2	3.0	9.1	6.7	4.9	-	-
Velocity Comp	8.5	16.5	1.0	0.5	1.1	-2.0	-2.8	-1.7	0.4	0.4	0.4	8.6	16.8	7.2	-8.3	-5.9	-
Average									1.2	1.1	0.9	8.2	9.8	7.2	10.2	11.5	12.7
Petards	5.2	8.5	1.0	1.6	-	-0.7	-0.3	-	0.4	0.4	-	6.5	3.8	-	-	-	-

Source: Research Tree; Refinitiv; Allenby Capital

In our view, Petards' current valuation appears undemanding relative to the selected UK small-cap peer group. At 8.5p, the Group has a market capitalisation of £5.2m and trades on a prospective 0.4x FY26E EV/sales and 3.8x FY26E EV/EBITDA. This represents a material discount to the peer group averages of 1.1x and 9.8x, respectively.

While it is reasonable to expect some discount given Petards' smaller market capitalisation, lower liquidity, recent earnings volatility and shorter forecast visibility, the extent of the discount appears excessive if the Group delivers the forecast improvement in revenue, adjusted EBITDA and cash generation.

We view EV/EBITDA as the most useful valuation metric, given Petards' transition from a period of subdued profitability towards improving earnings momentum.

Applying a conservative recovery multiple of 5.0x-6.5x FY26E EV/EBITDA multiple to our FY26E adjusted EBITDA forecast of £1.59m implies an EV of approximately £8.0m-£10.3m. After deducting forecast net debt (excluding IFRS16 lease liabilities) of £0.8m, this equates to an equity value of approximately £7.2m-£9.5m, equivalent to 11.9p-15.7p per share, offering a 40%-85% upside from the current share price.

We consider that this range best captures the potential value of Petards' improving revenue mix, increasing recurring revenues, operational gearing, cash generation, reducing debt and recovery potential across Rail, Defence, Affini and QRO. We therefore consider a fair value range of 12p-16p per share to be appropriate at this stage, with 14p representing a reasonable central case offering a 65% uplift from the current mid-price.

Further upside could emerge if Petards demonstrates sustained order intake improvement, converts pipeline opportunities in Rail and Defence, and delivers a strong contribution from higher-margin recurring and software-led revenues.

Income statement and forecasts

EXHIBIT 7: INCOME STATEMENT					
Years to December	2022A	2023A	2024A	2025A	2026E
	£000	£000	£000	£000	£000
ADJUSTED					
Revenue	10,872	9,424	12,016	14,947	15,700
Cost of sales	-5,330	-4,669	-6,575	-7,517	-7,700
Gross profit	5,542	4,755	5,441	7,430	8,000
GP margin	51.0%	50.5%	45.3%	49.7%	51.0%
Administrative expenses	-4,388	-4,415	-5,031	-6,428	-6,410
as a % of revenue	40.4%	46.8%	41.9%	43.0%	40.8%
Other income	6	0	0	0	0
Adjusted EBITDA	1,160	340	410	1,002	1,590
margin	10.7%	3.6%	3.4%	6.7%	10.1%
Amortisation RoU	-200	-185	-241	-341	-350
Amortisation intangibles	-586	-523	-609	-660	-665
Depreciation	-149	-161	-334	-436	-475
Adjusted operating profit/(loss)	225	-529	-774	-435	100
margin	2.1%	-5.6%	-6.4%	-2.9%	0.6%
Finance income	1	33	13	0	0
Finance expense	-48	-46	-184	-242	-300
Adjusted Profit/(loss) before tax	178	-542	-945	-677	-200
Tax	346	148	309	271	0
Adjusted post tax profit/(loss)	524	-394	-636	-406	-200
STATUTORY					
Adjusted operating profit/(loss)	225	-529	-774	-435	100
Share based payments	1	0	0	0	18
Exceptional items	0	-656	-491	0	0
Statutory operating profit/(loss)	225	-1,185	-1,265	-435	82
margin	2.1%	-0	-0	-0	0
Finance income	1	33	13	0	0
Finance expense	-48	-46	-184	-242	-300
Statutory profit/(loss) before tax	178	-1,198	-1,436	-677	-218
Tax	346	148	309	271	0
Statutory post tax profit/(loss)	524	-1,050	-1,127	-406	-218
WAS (m)	56.528	56.528	58.817	60.705	60.705
WAS FD (m)	57.830	56.528	58.817	60.705	60.705
Adj. EPS basic (p)	0.93	-0.70	-1.08	-0.67	-0.33
Adj. EPS FD (p)	0.91	-0.70	-1.08	-0.67	-0.33
Statutory EPS basic (p)	0.93	-1.86	-1.92	-0.67	-0.36
Statutory EPS FD (p)	0.91	-1.86	-1.92	-0.67	-0.36

Source: Petards Group plc; Allenby Capital

Balance Sheet and forecasts

EXHIBIT 8: BALANCE SHEET					
Years to December	2022A	2023A	2024A	2025A	2026E
	£000	£000	£000	£000	£000
Assets					
Non-current assets					
PP&E	593	655	1,181	1,066	1,080
RoU assets	236	691	836	1,056	705
Intangible assets	3,829	3,605	4,977	4,588	4,428
Investments	5	5	0	0	0
Deferred tax	519	470	768	960	1,060
Total non-current assets	5,182	5,426	7,762	7,670	7,273
Current assets					
Inventories	1,841	1,735	1,799	1,853	1,570
Trade & other receivables	2,502	2,323	3,519	2,946	3,097
Cash	2,016	1,241	168	12	541
Total current assets	6,359	5,299	5,486	4,811	5,208
Total assets	11,541	10,725	13,248	12,481	12,481
Liabilities					
Non-current liabilities					
Lease liabilities	-105	-511	-552	-697	-697
Total non-current liabilities	-105	-511	-552	-697	-697
Current liabilities					
Lease liabilities	-109	-221	-303	-364	-364
Overdraft	-125	0	-1,703	-1,351	-1,351
Provisions	0	0	-106	-113	-113
Trade & other payables	-2,955	-2,796	-4,188	-3,966	-4,172
Total current liabilities	-3,189	-3,017	-6,300	-5,794	-6,000
Total liabilities	-3,294	-3,528	-6,852	-6,491	-6,697
Net assets	8,247	7,197	6,396	5,990	5,788
Net current assets	3,170	2,282	-814	-983	-788
Gross debt (ex-lease liabilities)	-125	0	-1,703	-1,351	-1,351
Cash	2,016	1,241	168	12	541
Net (debt)/cash	1,891	1,241	-1,535	-1,339	-810

Source: Petards Group plc; Allenby Capital

Cash Flow

EXHIBIT 9: CASH FLOW

Years to December	2022A	2023A	2024A	2025A	2026E
	£000	£000	£000	£000	£000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) for period	524	-1,050	-1,127	-406	-218
Depreciation of PP&E	149	161	334	436	475
Depreciation of RoU assets	200	185	241	341	350
Amortisation of intangibles	586	523	609	660	665
Profit on disposal of PP&E	-15	-4	-1	-1	0
Profit on disposal of RoU assets	0	0	-15	0	0
Finance income	-1	-33	-13	0	0
Finance expense	48	46	184	242	300
Share based payments	1	0	0	0	18
Income tax	-346	-148	-309	-271	0
Operating cash flow before working capital	1,146	-320	-92	1,001	1,590
<i>(Decrease)/increase in inventories</i>	<i>-182</i>	<i>106</i>	<i>-64</i>	<i>-54</i>	<i>280</i>
<i>(Decrease)/increase in receivables</i>	<i>-334</i>	<i>0</i>	<i>413</i>	<i>453</i>	<i>-160</i>
<i>Decrease/(increase) in payables</i>	<i>-47</i>	<i>-159</i>	<i>-63</i>	<i>-215</i>	<i>210</i>
Net change in working capital	-563	-53	286	184	330
Tax received	0	377	0	199	0
Net cash from operating activities	583	4	194	1,384	1,920
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of PP&E	-61	-154	-243	-335	-500
Acquisition of intangibles	-93	-30	-11	0	0
Sale of PP&E	20	15	9	15	0
Sale of RoU assets	0	0	15	0	0
Acquisition of subsidiary	0	0	-2,449	0	0
Cash acquired with subsidiary	0	0	462	0	0
Interest received	0	33	13	0	0
Capitalised development expenditure	-164	-349	-304	-271	-300
Net cash from investing activities	-298	-485	-2,508	-591	-800
CASH FLOWS FROM FINANCING ACTIVITIES					
Bank loan repaid	-250	-125	0	0	0
Interest and principal on lease liabilities	-24	-32	-67	-72	-72
Interest on loans and borrowings	-12	-3	-80	-138	-138
Principal paid on lease liabilities	-248	-123	-278	-355	-381
Other interest and FX	-12	-11	-37	-32	0
Net cash from financing activities	-546	-294	-462	-597	-591
Net change in cash	-261	-775	-2,776	196	529
Net cash from prior year	2,277	2,016	1,241	-1,535	-1,339
Net cash at end of year	2,016	1,241	-1,535	-1,339	-810

Source: Petards Group plc; Allenby Capital

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