ANNUAL REPORT 2024

Hardide plc

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Hardide plc Annual Report 2024

Hardide plc is the leading global innovator and provider of advanced tungsten carbide coatings that significantly increase the working life of critical metal components operating in abrasive, erosive, corrosive and chemically aggressive environments.

Hardide® is a family of nanostructured and patented, low temperature CVD (chemical vapour deposition) coatings which provide exceptional wear and corrosion resistance and uniquely combine extreme toughness with ductility. Our coatings are 'value-adding' to components and lower operational costs by reducing downtime, increasing productivity and improving performance. They can be precision applied to external and internal surfaces including complex geometries, enabling a level of engineering design flexibility not possible with alternative technologies.

Hardide surface engineering technology transforms the way that parts perform under severe service conditions. Previously, levels of friction, abrasion and aggressive chemical attack have led to part failure, downtime and extreme cost. Our coatings are enabling customers in high wear/high value industries including energy, aerospace, flow control, power generation and precision engineering to optimise part life, improve product performance and make significant operating cost savings. The Group has manufacturing facilities in Oxfordshire, UK and Virginia, USA.

Highlights

Strategy

A two-stage strategy:

1 Focus on growing profitability and cash generation, driven by increased sales to existing and new customers, utilising proven coating technology and existing production capacity.

2 Drive significant value for shareholders and other stakeholders over the medium to longer term through further development and commercialisation of the Group's unique, high performance coatings technology, including co-operation with other coatings companies.

Investment case

1

A well invested business providing a strong platform for growth

Valuable, unique and patented coatings technology

Broad range of end use applications

Significant spare capacity in 2 plants (UK and USA) each only c.50% utilised

2

A pivotal time

Fresh leadership driving focus on acceleration in revenue growth, combined with strong cost and cash control

Cultural evolution - from an engineering led to a commercially led business

Became EBITDA positive and run rate cash generative in FY24

3

Significant business development and value creation potential

A fresh approach to driving revenue growth focussed on four key areas:

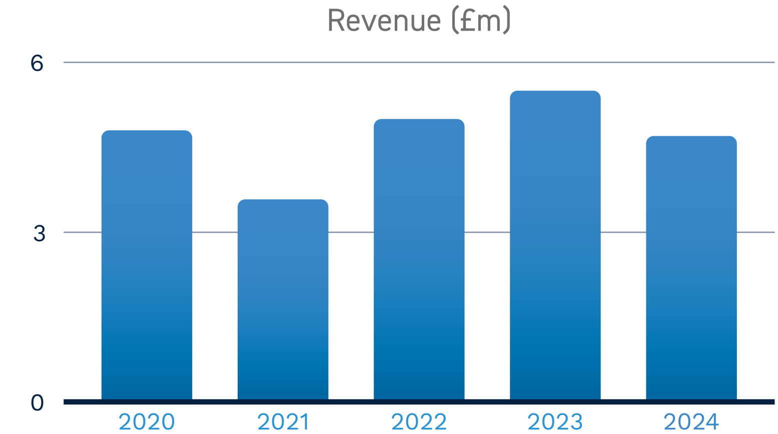
Growth of CVD coatings as a service

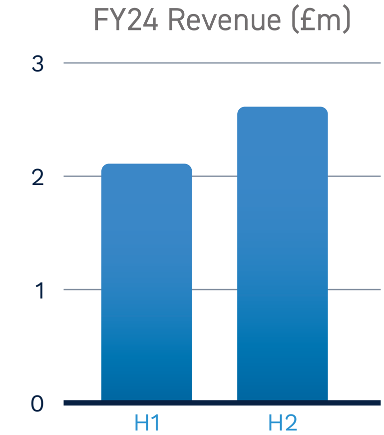
Acceleration of our Enhanced Products strategy

Developing bespoke customer solutions utilising the full range of our installed capacity to leverage profitable growth and cash drop through from additional revenues

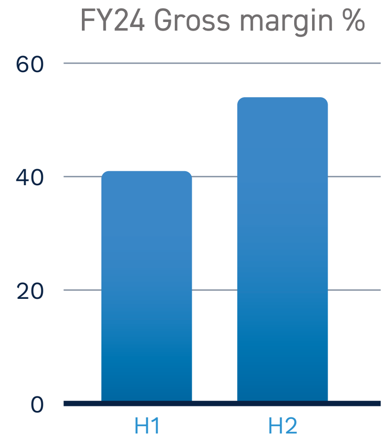
Highlights

5-year track record

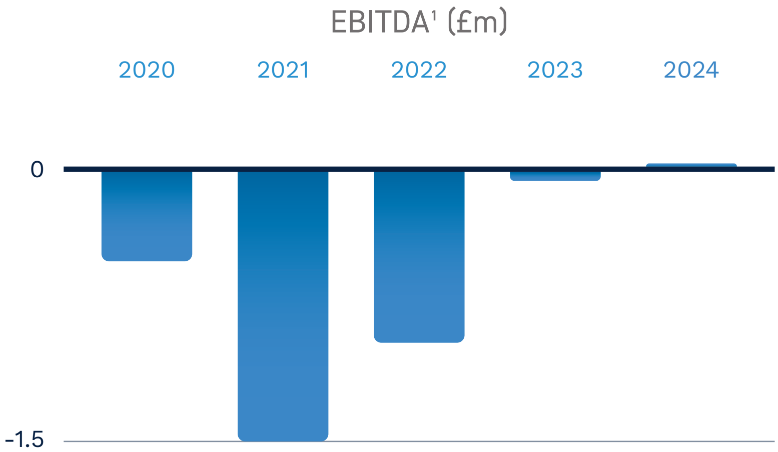


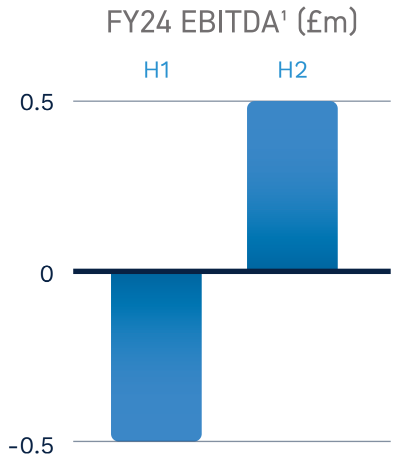


Strong recovery in revenues in H2 of FY24



Significant improvement in gross margins in H2 FY24

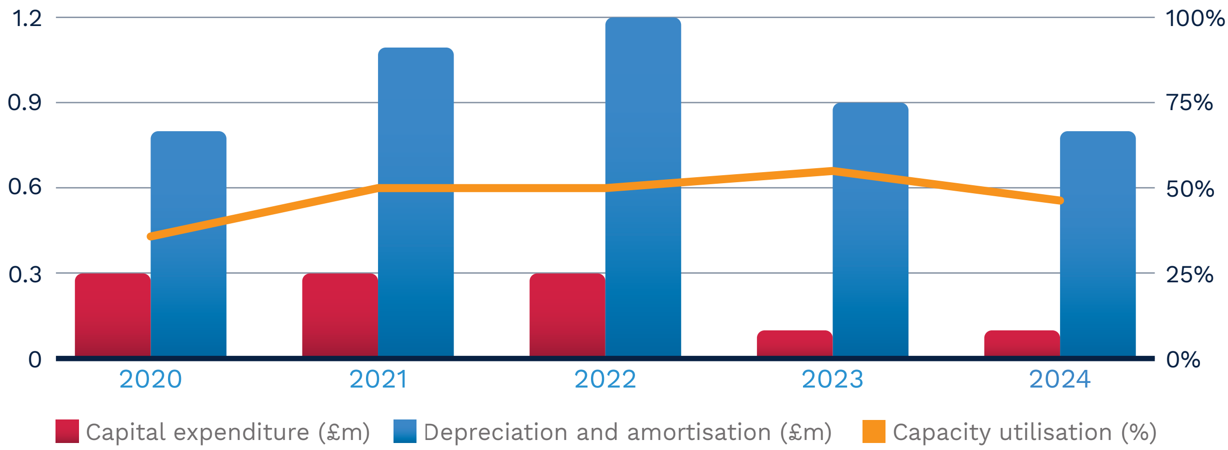




In FY24 the business became EBITDA positive for the first time

[1] In H2 of FY24 EBITDA excludes one off restructuring costs of £0.4m

Capital expenditure (£m), relative to depreciation & amortisation (£m) and capacity utilisation (%)

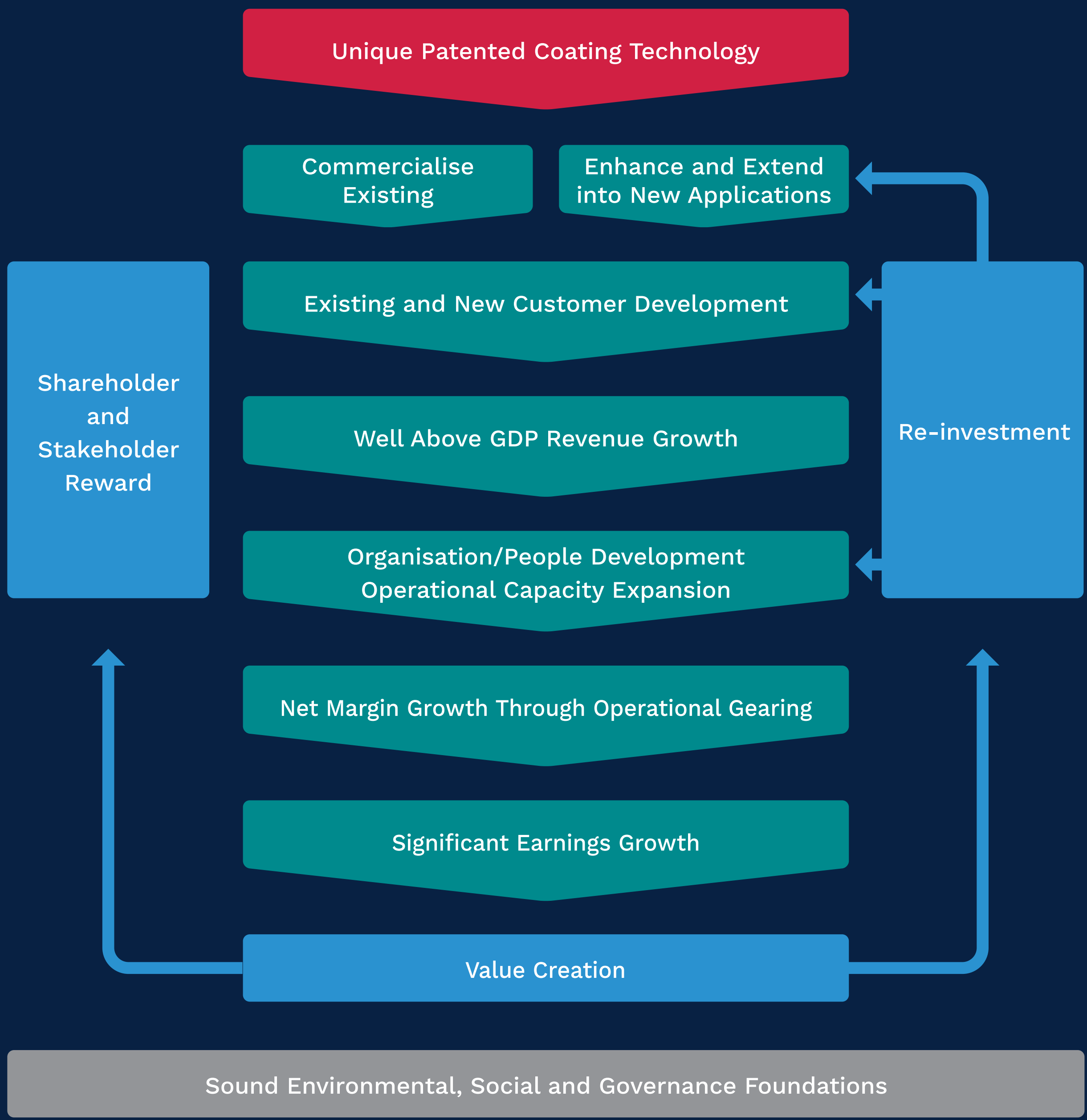


The business is well invested, with significant spare capacity and low capital expenditure needs

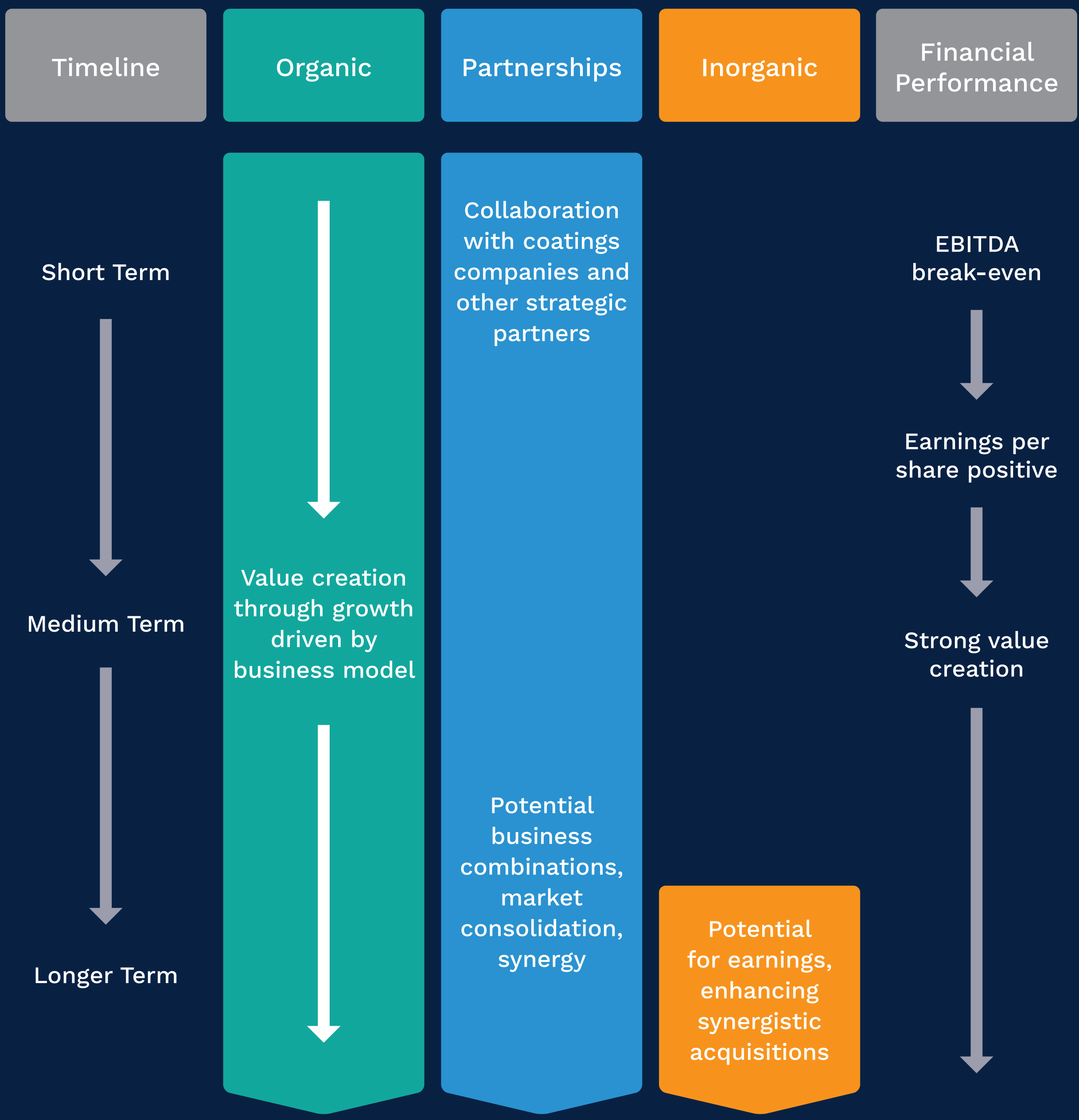
Business and commercial highlights

- Aerospace revenues more than doubled in FY24 and continue to grow
- Double digit percentage growth in revenues in FY24 from industrial engineering
- Energy revenues recovering, after weak FY24 H1 due to de-stocking and some work ending
- Further aerospace work won post the FY24 financial year end. Expected to yield an additional c.£0.5m revenue in FY25 and in the range of £6.0-8.0m during the lifetime of the contract
- Enhanced products range launched in April 2024 now building traction
- Fresh approach to the commercialisation and development of the Group with focus on accelerating sales growth and utilising spare capacity over the short / medium term led by new CEO, Matt Hamblin

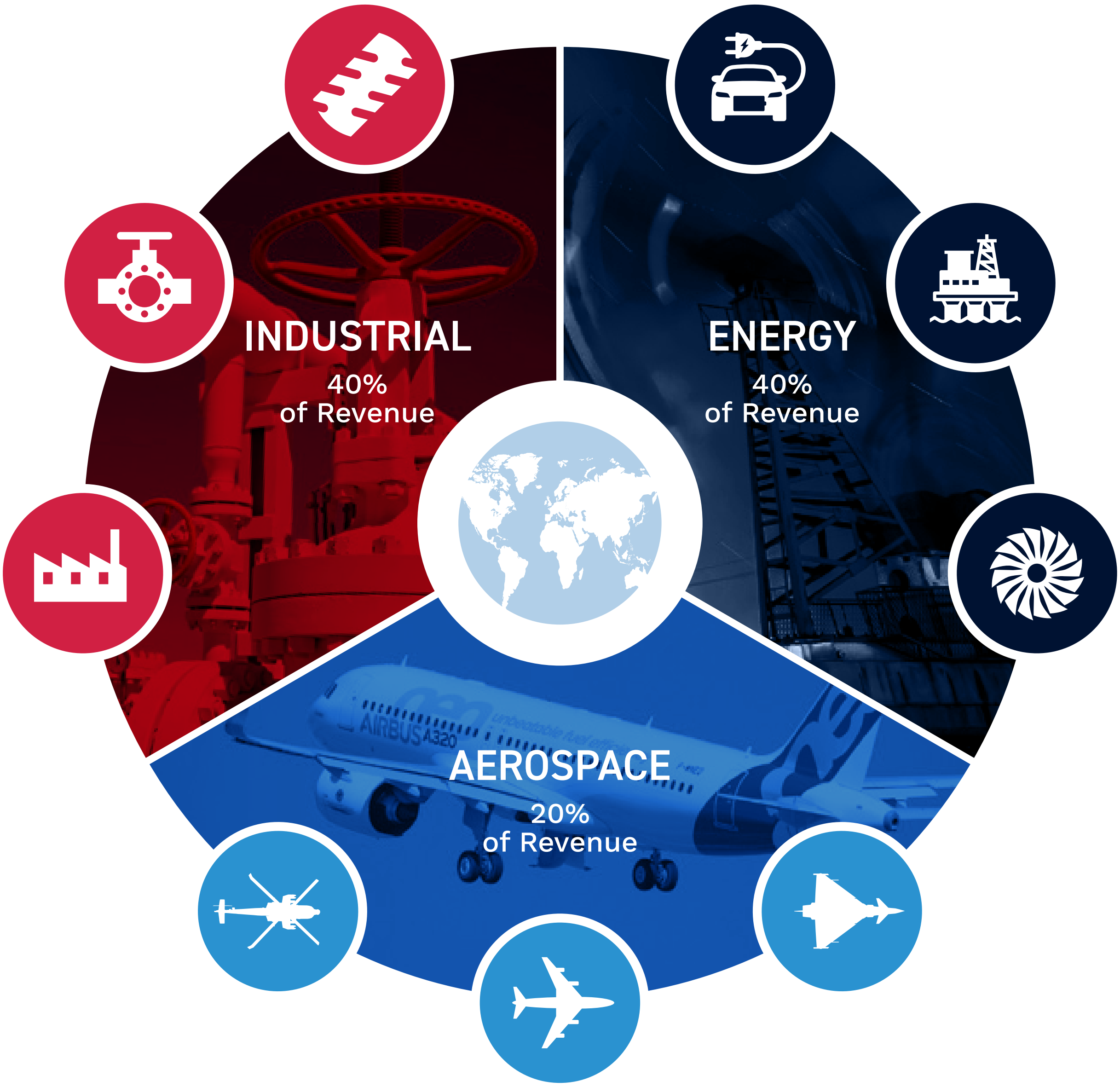
Hardide Business Model



Hardide Strategy



Applications and End Uses



INDUSTRIAL

- Positive Displacement Pumps
- X Ray Equipment Control Systems
- Valves & Pumps
- Shafts & Rotors
- Impellers
- Bearings
- Cutting Tools
- Industrial Diamonds

ENERGY

- Directional Drilling Equipment
- Downhole Tools & Components
- Wellhead Equipment
- Flowlines & Pipelines
- Pumping Systems – Seats & Valves
- Measurement & Instrumentation
- Sand Control Systems
- Steam & Gas Turbine Blades

AEROSPACE

- Fixed Wing Aircraft Control Systems
- Rotary Aircraft Transmission
- Cargo Aircraft Door Operating Systems
- Actuation & Control
- Hydraulic & Pneumatic
- Landing Gear Systems
- Blades & Vanes
- Fasteners & Bearings

Locations

Bicester, UK

20,000 sq. ft custom-fitted production facility in Oxfordshire, UK. Five coating reactors are installed including the reactor for the coating of larger components up to 1.5m in length. The site has Nadcap Gold Merit status, and AS 9100D and ISO 14001 accreditation.

Martinsville, USA

26,000 sq. ft. production facility in Virginia, USA with four standard size coating reactors servicing customers in the energy and industrial sectors in North America. The site holds ISO 9001 and AS 9100D certification.

Chair's Statement

Whilst FY24 was a challenging financial year for Hardide, I am pleased to report that the Board believes that we have now built a much stronger and more resilient business.

The new leadership team established during the year is growth focussed and commercially led.

The Group now has a far more appropriate cost base and break-even point, and recent positive trading momentum has taken us into EBITDA positive territory and into a net cash generative trading position.

The Board therefore believes Hardide is now well positioned to deliver profitable growth both in the current financial year and beyond.

Strategy

Our strategy remains unchanged. However, with the leadership and personnel changes made during the year and our more broad-based approach to business development set out in the Chief Executive's review, we are now much better positioned to deliver the acceleration in revenue growth we have been seeking.

Since early 2023 we have been progressing a 2-stage strategy.

1. Focus on becoming profitable and cash generative as soon as possible, driven by increased sales to existing and new customers, utilising proven coating technology and existing production capacity.

   We made good progress on this objective during the year. The focus now is very much to leverage profit and cash generation through an acceleration in revenue growth, thereby better utilising substantial spare capacity and driving return on investment.

2. Generate significant value for shareholders and other stakeholders over the medium to longer term through further development and commercialisation of the Group's unique, high performance surface treatment technology, including co-operation with other coatings companies.

   Under new leadership, we are taking a more holistic approach to business development and how we further develop and commercialise the Group, as set out in more detail in the Chief Executive's Review. The development of sales of our Enhanced Products range launched during the year has led to increased co-operation with a number of global coatings companies.

Performance

First half performance was impacted by customer de-stocking and the cessation of several legacy oil and gas contracts, but the Group's second half results were much improved as some of these challenges lessened. This, combined with the benefits of our strategy to improve selling prices, drive internal efficiencies and reduce cost, enabled the Group to deliver an EBITDA positive result in the second half year ("H2").

The Group achieved an adjusted EBITDA in H2 of £0.5m from revenues of £2.6m, resulting in an EBITDA margin of 19%. This compared with a small EBITDA loss from similar revenues in the equivalent prior year period. In addition, the business traded at a cash flow neutral level in H2, becoming cash flow positive towards the end of the year as previously targeted.

Since the financial year-end, trading has been in line with the Board's expectations. Revenues in first quarter of FY25 were £1.3m, compared with £1.1m in prior year first quarter, and the Group traded at EBITDA positive levels on an unadjusted basis. The Group's cash balance has grown to £1.0m, up from £0.7m held at the FY24 year-end, reflecting the benefits of EBITDA positive trading and reduced working capital.

People

Hardide's employees are our most important asset and, on behalf of the Board, I'd like to thank our colleagues for their hard work, resilience, constructive feedback and support during what was a challenging year.

It was pleasing to see their endeavours reflected in the improving performance of the business as the year progressed.

All employees now participate in a Group bonus scheme that rewards profitable growth.

Board

There have been a number of Board changes over the last year.

The Nomination Committee has taken opportunities to refresh the Board and in doing so evolve its mix of skills and experience to more closely align with our strategy of accelerating revenue growth.

After an important period during which Steve Paul became Interim CEO last Spring, we were delighted that Matt Hamblin then decided to step up from his non-executive role to become our permanent CEO in June. Both Matt and Steve contributed positively to the development of our growth strategy in the year, introducing our Bespoke Solutions and Enhanced Products business streams as described further in the CEO's report.

In December, Tim Rice stepped down from the Board after six years' service as Senior Independent Director and Chair of our Remuneration and Nomination Committee. On behalf of the Board, I would like to thank Tim for his wise counsel during his tenure and, in particular, his contribution to the development of Hardide's business in the Aerospace sector. We wish Tim well for the future.

Tim has been succeeded by Dr Bryan Allcock, who has a background in materials science and has spent his career developing and commercialising innovative niche coating systems, including with businesses he has personally owned and run. Bryan's expertise and entrepreneurial experience is therefore highly aligned with Hardide's growth strategy.

Funding

The Board was very grateful to shareholders for supporting the business during the equity fund raise last February and is pleased to report that there has been no subsequent erosion of the £0.7m of cash realised at that time.

The Group has now become cash generative, with Hardide's cash balance increasing to £1.0m at 31 December 2024. Hardide is already a well invested business with significant spare capacity. Therefore, the Board is not planning to raise further funds at the present time and has prepared the financial statements on a going concern basis.

Outlook

Hardide continues to benefit from unique, patented, advanced coatings technology. The business is trading at EBITDA positive levels and generating cash from a well invested operational platform with significant spare capacity. The execution of Hardide's growth strategy is now being driven by our new commercially focused leadership team. Therefore, the Board believes the business is increasingly well positioned for success and value creation.

Andrew Magson
Non-Executive Chair

28 January 2025

Chief Executive's Review

Results for the year

The Group's results for the year can be summarised as follows:

£m Year ended:	30 September 2023			30 September 2024		
	First half	Second half	**Full Year**	First Half	Second half	**Full year**
Revenue	2.9	2.6	**5.5**	2.1	2.6	**4.7**
Gross margin %	47%	48%	**48%**	41%	54%	**48%**
Adjusted EBITDA*	-	(0.1)	**(0.1)**	(0.5)	0.5	**-**
Adjusted EBITDA* margin %	-	n/a	**n/a**	n/a	19%	**-**
Non-recurring costs*	-	-	**-**	-	(0.4)	**(0.4)**
EBITDA*	-	(0.1)	**(0.1)**	(0.5)	0.1	**(0.4)**

* EBITDA is Earnings Before Interest, Tax, and Depreciation and Amortisation charges. Non-recurring costs principally relate to restructuring costs.

Revenues in FY24 of £4.7m decreased from last year's record of £5.5m. This was driven by several customers reducing their inventory holdings as global supply chains began to normalise following COVID, along with a number of oil and gas projects coming to an end.

After a weaker H1, revenues in the second half recovered to £2.6m, a similar level to the equivalent prior period. This reflected demand from our industrial customers normalising and new business in the aerospace sector beginning to replace legacy oil and gas work.

Despite a weaker H1 impacting the full-year results, the table above illustrates the positive impact of management's actions to improve gross margins and EBITDA profitability over the last two years. These actions facilitated an adjusted EBITDA break-even performance for the full year, a modest improvement on the prior year's result.

However, two particular metrics in the table above illustrate the significant progress made to improve the profitability of the Group:

- Strong gross margin growth to 54% in the second half of FY24, (H2 FY23: 48%, H2 FY22: 38%); and
- Adjusted EBITDA was £0.5m at a 19% margin in H2 of FY24, compared to a broadly EBITDA neutral result FY23, generated from similar revenues of £2.6m.

Management estimates that revenue required to achieve cash break even has reduced by c.30% over the last two years from in excess of £7m in FY22 to just over £5m at the end of FY24. This has been achieved through a combination of significant cost savings, internal efficiencies, better pass through of input cost inflation to customers and improved selling prices.

Commercial review

The Group's revenues analysed by end use market were as follows:

£m	FY23	**FY24**	% change	FY23 % total	**FY24 % total**
Energy	3.4	1.9	-45%	63%	40%
Industrial	1.7	1.9	+12%	30%	40%
Aerospace	0.4	0.9	+100%+	7%	20%
Total	**5.5**	**4.7**	**-14%**	**100%**	**100%**

The above illustrates the significant change in revenue mix seen during the year, with a reduced dependence on oil and gas work and encouraging progress being made in the development of aerospace applications.

Energy

During the year, Energy revenues fell significantly to £1.9m, a decrease of approximately 45% on the FY23 results. This reflected the impact of several significant oil and gas customers de-stocking during H1, as global supply chains continued to normalise post COVID together with the impact of sanctions on Russia and new regulations impacting land drilling in the USA.

Following efforts to re-energise relationships with our existing oil customer base, the new commercial team has received encouraging feedback, with a number of new projects now under discussion. This is reflected in promising Q1 FY25 demand levels. New customers proactively engaged during FY24 resulted in several new applications being identified and the successful completion of customer funded development projects.

To illustrate this, a specification is being finalised to support a Tier 1 supplier of energy systems and projects with production revenue set to begin in FY25. Additionally, customer funded testing is also underway to support a Global OEM of Oil & Gas infrastructure with their global applications. Early indications suggest positive test results with specific applications being explored will lead to increased customer funded development projects during FY25, and a move towards volume production starting in FY26.

There has been no repeat demand since FY22 for the coating of industrial gas turbine blades, where the Hardide coating is used to mitigate water droplet erosion. We re-assessed the likely commercial appetite for this application during the year and, whilst we believe there remain opportunities for development over time, we have concluded it is a niche application for certain end use customers of the major OEMs operating in the power generation market. Therefore, this is no longer a focus of current business development activity.

In the green and renewable energy sector, demand was again modest during the year. The European solar panels market, where we have had some initial success, has recently been flooded by lower cost product from China that does not use our coatings.

Applications of Hardide coatings for battery technology, hydrogen production and storage remain promising for the medium / longer term and remain a key focus of our research and development activities. Our Innovate UK grant project, which focuses on researching a new CVD coating variant supportive of green hydrogen, is expected to complete in April 2025. Successes in initial testing has confirmed our products as a promising coating solution for use and adoption in this area. As the project is expected to complete mid-way through FY25, we will be seeking customer engagement to help industrialise the solution for these applications.

Industrial engineering

Demand in the industrial engineering sector was also subdued in the first half of FY24 when one of our major customers de-stocked. Activity levels in H2 recovered, albeit we are mindful that this customer is managing its inventory holdings tightly as product ranges are refreshed.

Another major industrial customer, who uses Hardide products in the manufacture of airport scanning devices, increased demand in line with the aviation industry recovery post-COVID.

Overall, industrial engineering revenues recovered to deliver double digit percentage growth for the year as a whole.

Aerospace

Following significant investment into developing our presence within the aerospace market, including achieving all relevant quality accreditations, the Group secured its first major production volumes with a large European aircraft manufacturer towards the end of the prior financial year to supply coating of parts used in commercial passenger aircraft. This work has progressed well enabling overall revenues into the aerospace sector to increase by 147%, having benefited from the first full year of sales with this customer and good forward visibility of continuing work. It is pleasing to see that first quarter demand levels in FY25 have shown further growth.

In December 2024 we announced we had won additional work with this customer to coat parts for freight aircraft. This is expected to add at least £0.5m to revenues in FY25, and based on the customer's anticipated build rates, further production revenues in the range of £6-8m over the expected 10 year time frame of the contract.

We continue to seek new production work within the aerospace sector, and so far, have had encouraging successes in technical trials and achieved accreditations to work with a number of blue chip customers.

Business development

The Board conducted a thorough review of our business development activities in the first part of FY24 and concluded that the portfolio had insufficient projects with a high enough probability of material commercial success in the short to medium term. We therefore focused on shorter term aerospace market opportunities and developing the supply of copper nozzle component spares, both of which began to bear fruit later in the year.

Since then, our approach to developing the business has changed significantly.

Digital marketing activities have been initiated with a specialist partner and are targeted to increase market awareness of the unique features and benefits of Hardide coatings, particularly in challenging operating environments and where non-line of sight coating application is required. The objective is to use sophisticated digital and web site technology to attract and open up a dialogue with design engineers who have technical needs that Hardide could provide solutions for.

We are also taking a broader and more holistic approach to end use market development that places focus on applications where Hardide coatings are uniquely differentiated. Therefore, our approach has become less restricted by the Group's traditional targeting of energy, aerospace and certain industrial engineering applications.

Our focus is also on achieving significantly better utilisation, as soon as practicable, of:

- our existing invested asset base where we believe we have spare operational capacity to at least double current revenues; and
- the skill sets of our people.

This has led us to target, for example, end user and spares markets where decision making and conversion of opportunities into revenue is typically much faster.

Taking the above together, we have reorganised our sales, business development and marketing functions as follows, to expand Hardide's business far beyond our previous coatings as a service model.

We now have three business development streams:

1. Service

This is Hardide's traditional business and currently represents over 90% of sales revenues. Typically, work is driven by larger OEMs, although orders are placed on Hardide by their tier 1 or tier 2 suppliers. Becoming accredited by OEMs can take many years, and there is typically no order book as such.

We are now working much more closely with OEM customers to generate "pull through" demand, and are taking a more open and flexible approach to better understanding customer needs, likely volume levels and working together with customers to develop a way of reducing costs per unit to achieve mutually beneficial price points at attractive margins.

We are also developing ancillary service offerings to better utilise Hardide's existing capabilities beyond our core CVD coatings business. Examples include providing pre-coating services using our nickel strike facilities, and offering specialist laboratory inspection services.

2. Enhanced products

This business stream was launched in April 2024. The objective is to accelerate revenue growth and generate more predictable repeat business by coating high volume consumable spares to end users where the payback offered by the durability of the Hardide coating provides a compelling value proposition. The initial focus has been to provide coatings for copper nozzles and associated components used in thermal spraying equipment where the existing life of the component is only a few hours and the downtime costs of replacement are high. Hardide's coatings are proven to increase the life of these components between 3 and 20 times. To date we have provided nozzles to 22 customers, these are both our own products as well as providing a service to customers of a coating on their existing stock to extend life. Initial revenue generated in the second half of FY24 was encouraging and we established credibility with this new customer base in terms of product performance. We are targeting significant growth in the current financial year and beyond.

3. Bespoke Solutions

This business stream is currently under development and is focused on solving unique customer problems with a bespoke Hardide specification in both our traditional markets as well as new markets. In our traditional markets of Energy and Aerospace development lead times and customer approvals are long, and therefore having a balanced opportunity pipeline in terms of timeframes to revenue realisation is therefore critical to our success and work has begun to achieve this. As part of this initiative, we will seek to become more market agnostic and also target customers and applications with shorter approval cycles. In doing this we will work with customers to provide a solution that has a bespoke Hardide specification and therefore creates a high barrier to entry for other surface treatment providers. As an example of new markets, our first customer funded development project was recently completed for a customer operating in the semi-conductor sector. If successful, this will lead to a wider portfolio of applications that could benefit from Hardide's coating capabilities. This offering will be underpinned by our new use of digital marketing, together with our own networks, to identify and attract design engineers to Hardide where our coatings technology offers a unique solution leading to repeatable and predictable production orders.

By now developing the business using the structure and approach set out above, we believe that we will be able to accelerate Hardide's growth, consistent with our strategy, with meaningful results expected over the short to short / medium term.

Operations

Health & safety

Once again, there were zero lost time health and safety incidents across the Group during the FY24 financial year. Regular external audits and inspections are performed at both sites and recommendations for continuous improvement followed up. Greater focus on being placed on potential hazard and near miss identification, reporting and continuous improvement activities in order to reduce the risk of accidents occurring.

Accreditations

Hardide's site at Bicester in the UK is accredited to NADCAP Gold Merit status, the highest accreditation available for commitment to continual improvement in aerospace quality. Both the UK and the US site at Martinsville are accredited to aerospace quality standard AS9100 Rev. D and to ISO9001. The Bicester facility is certified to environmental standard ISO14001, while Martinsville complies with applicable local, state and federal environmental standards.

Continuous improvement

A number of continuous improvement projects were initiated during the year and are beginning to bear fruit. Initial focus has been on improving the efficiency of usage of our two key variable input costs, process gas and energy. In addition, we are putting increased focus on increasing the efficiency and flexibility of production workflows to improve productivity.

Fundamentally, the cost per part of components coated is heavily dependent on the quality of up front application engineering, together with the volume, predictability and repeatability of demand, which together help enable efficient batch sizes and reactor utilisation. We have recently been far more proactive in working with customers to optimise these areas for our mutual benefit.

Development of the Martinsville site in the USA

We believe that revenue growth opportunities for Hardide in the USA and North America are significant.

Traditionally, our Martinsville site in Virginia has been a satellite production centre and has operated under the close supervision of operational management in the UK. We are evolving the organisational structure with the objective of empowering and developing the team in Martinsville to carry out some business development activities directly; and also to enable them to more fully mirror operational capabilities with those in the UK.

We believe that the additional sales potential, including from increased competitiveness by providing more coatings for the North American market locally will offer fast returns on what at this stage are anticipated to be relatively modest incremental costs of investment.

Intellectual property

Hardide continues to renew patents in territories that it believes are important to its commercial development and to protect latest developments and applications in its coatings technology.

In effect, our most recent patents serve to increase the life span of our original patents by covering an increased range of applications.

Management also believes that Hardide's know-how and experience in applying the coatings technology has now become as valuable, if not more so, than the patents themselves.

Research and development

The focus of our research and development activities during the year was as follows:

- Working on a grant funded project to evaluate the benefits of Hardide coatings in the areas of hydrogen production and storage. The project will be concluded in the current financial year.
- Fundamental research work on developing a variant of the coating that lessens friction.

We are taking a more commercial approach to our development work, with focus on projects that are judged more likely to convert into revenue, profit and cash in the short to medium term and working with customers who will assist us in funding the development of solutions for specific commercial applications.

Environmental, Social and Governance ("ESG")

We believe Hardide has strong ESG credentials as explained in the ESG report later in the full Annual Report.

Hardide's coatings prolong the life of, and improve the resilience and efficiency of, the components and parts used by our customers, thereby reducing life cycle costs, reducing waste and avoiding the harmful chemicals used in some competing coating technologies.

Our facilities in the UK and USA are well invested and operate to high environmental standards, with continuous improvement initiatives targeting a relative reduction in carbon emissions over time.

As a small team of around 30 people, we work closely with and communicate regularly with employees, who are involved in discussions as to how we grow, develop and continually improve the business. In the new financial year we have introduced a profit bonus scheme that all employees participate in.

We believe that Hardide as a small, listed business on London's Alternative Investment ("AIM") market, is well governed and we comply with the QCA corporate governance code for AIM listed businesses.

Strong, responsible corporate governance and ethical behaviour is fundamental to the Board's oversight of the Group and to Hardide's broader culture and values.

Current financial year to date trading

Year to date trading in the first quarter of FY25 has been in line with management's expectations, with a continuation of the broad trends observed in the second half of FY24. The second quarter of the current financial year is expected to benefit from the additional aerospace sector work recently won and demand is building for copper nozzles within our Enhanced Products range.

Unaudited sales in the first quarter of FY25 were £1.3m (Q1 FY24: £1.1m) and the Group continues to trade at EBITDA positive levels. The Group's cash balance at 31 December 2024 was £1.0m, a £0.3m increase on the position at 30 September 2024.

Outlook

In light of:

- action taken to right-size the cost base of the business and improve margins in FY24;
- a return to revenue growth in the current financial year, including from the recently announced aerospace sector work; and
- a refreshed, more focused approach to accelerating revenue growth over the short to medium term to utilise spare production capacity

we expect Hardide now to deliver profitable growth in the current financial year and beyond.

Matt Hamblin
Chief Executive Officer

28 January 2025

Group Finance Director's Review

Income Statement

The revenue and EBITDA performance of the Group for the year is described in the Chief Executive's review.

A reconciliation of adjusted EBITDA and earnings to statutory profit measures is set out below:

Year ended:	30 September 2023	**30 September 2024**		
£m	Statutory	**Adjusted**	**Non-recurring costs**	**Statutory**
EBITDA	**(0.1)**	**-**	**(0.4)**	**(0.4)**
Depreciation and amortisation	(0.9)	(0.8)	-	(0.8)
Financing costs	(0.2)	(0.2)	-	(0.2)
Loss before tax	**(1.2)**	**(1.0)**	**(0.4)**	**(1.4)**
Tax	0.1	-	-	-
Net earnings after tax	**(1.1)**	**(1.0)**	**(0.4)**	**(1.4)**
Basic earnings per share (pence)	**(1.9)**	**(1.3)**	**(0.6)**	**(1.9)**

The non-recurring costs during FY24 relate to the one-off costs of restructuring the business to reduce the ongoing cost base; costs associated with the equity fund raise in February 2024; and the costs of the restricted share option awards made to the CEO on commencement of his role that are described further in the Remuneration and Nomination Committee Report.

Depreciation and amortisation costs of £0.8m in the year were a little lower than in the prior year and financing costs of £0.2m were similar.

The Group had no corporation tax charge in FY24 or FY23 due to the losses before tax incurred in both years. The Group benefited from modest research and development tax credits in both years.

The negative basic earnings per share of 1.9 pence was the same as FY23, despite the higher loss after tax, due to the greater average number of shares in issue in FY24 following the equity fund raise in February 2024.

The Group's cash flow statement for the year can be summarised as follows:

Year ended:	30 September 2023	**30 September 2024**
Adjusted EBITDA	(0.1)	-
Change in working capital	0.4	0.1
Net interest and tax	(0.1)	(0.1)
Operating cash flow	**0.2**	**-**
Restructuring cash costs	-	(0.4)
Capital expenditure	(0.1)	(0.1)
Business cash flow before financing	**0.1**	**(0.5)**
Net financing cash flows	(0.1)	0.5
Net cash flow for the year	-	-
Cash balance at 30 September	**0.7**	**0.7**

Prior to the £0.8m equity fundraise in February 2024 and the benefit of net new debt finance raised in the year of £0.2m, the Group had a cash outflow before financing costs of £0.5m in the year. This compared with a £0.1m net positive cash flow in the prior year.

The weaker overall cash flow performance in the year to 30 September 2024 (prior to financing transactions) when compared with the prior year is explained by the poor trading performance of the business in H1 of FY24 described in the CEO's report, the one-off cash restructuring costs incurred in the second half of FY24 of £0.4m and fluctuations in working capital.

Prior to the net new asset finance raised and the one-off cash costs of the restructuring during the second half of the FY24 financial year, which largely offset each other, second half trading cash flows recovered to a broadly neutral position.

The Group began to generate net cash towards the end of the financial year and this has continued into the first quarter of the current financial year. The net cash balance at 30 September 2024 was £0.7m (30 September 2023: £0.7m) and this had risen to £1.0m by 31 December 2024.

Balance Sheet, Capital Structure and Net Debt

The main changes in the Group's balance sheet over the year were:

- a reduction in the net value of property, plant and equipment by £0.6m, from £4.6m to £4.0m, as depreciation exceeded capital expenditure, reflecting the significant invested capacity in the business;
- a reduction in net current assets, from £0.7m to £0.6m, reflecting a small reduction in inventory.

Therefore, total assets decreased from £8.4m to £ 7.7m over the FY24 financial year.

Total equity / shareholders' funds decreased from £4.3m to £3.7m during the year, reflecting the loss after tax for the year, partly offset by the proceeds raised from the equity fundraising in February 2024 of £0.8m.

An analysis of Hardide's net debt is set out in the table below:

At 30 September:	2023	**2024**
Cash	(0.7)	(0.7)
Loans	0.8	0.7
Lease liabilities	2.2	2.1
Net debt	**2.3**	**2.1**

In total, the value of loans and lease finance due to be repaid in FY25 is £0.45m (FY24: £0.44m).

Funding and Going Concern

The Group became cash generative for the first time towards the end of FY24, with £0.7m of cash balances held at the financial year-end which increased to £1.0m at 31 December 2024. Given Hardide is already a well invested business with significant spare capacity, the Board is not planning to raise further funds at the present time. The financial statements have been prepared on a going concern basis.

Reverse stress testing suggests that, absent specific actions to reduce costs, working capital and capital expenditure, the Group may need to seek further funding only if revenues fell by more than 20% compared to forecast. Given to date the business is trading in line with management expectations, the Board considers this scenario to be unlikely.

Simon Hallam
Group Finance Director

28 January 2025

Risk Review

A summary of the Group's key risks and how these are managed is provided below.

Risk and analysis	Mitigation and control	Residual risk
Customer concentration and potential short-term demand volatility Customer concentration is relatively high. In 2024, four customers in aggregate accounted for over 70% of sales and, prior to 2024, over 50% of sales were to the oil and gas sector where short-term demand patterns have historically been volatile. Hardide has traditionally been a service business, with limited demand visibility and an order book duration of only around one month. Consequently, short-term changes in demand patterns for major customers (including de-stocking or re-stocking) can have a material impact on revenues and the Group's cash flow and liquidity position. The loss of a major customer would likely have a significant short-term impact on the Group's performance.	Since the equity fundraise in early 2024, the new CEO and senior management team have built far closer relationships with the end use customers responsible for driving Hardide specifications and demand, enabling more accurate revenue and cash flow forecasting. Once the Hardide coatings are proven as a differentiated customer solution, project business tends to be retained, provided service levels are strong, as switching costs can be high. There can be some natural loss of business ("churn") as specific projects come to an end or should design changes be made. Management works closely with customers to evolve the use of Hardide in specifications as design changes are made. The Group's business development strategy has recently evolved to become more sector agnostic to broaden sources of revenue growth and to reduce specific customer and sector concentration over time, whilst improving order book visibility through the recently introduced enhanced product and customer solutions business streams, which complement traditional service revenues.	High
Economic and geopolitical risks Changes in economic conditions (including those caused by geopolitical factors), particularly in the UK, USA and Europe, and in particular those impacting the oil & gas sector, could significantly impact Group revenues, profits and cash flows. Current economic forecasts anticipate modest levels of economic growth for the foreseeable future in the key markets in which we operate. The global supply chains of some large OEM customers remain unpredictable and this can cause volatility in short term demand patterns as customers adjust inventory holding levels accordingly.	This risk is largely outside the Group's control. The Board closely monitors relevant economic, industry and customer forecasts, and adapts business plans accordingly. Hardide is enhancing the capabilities of its plant in Martinsville, USA, to enable full mirroring of UK operational capabilities in order to promote an anticipated increase in demand for local sourcing in the USA whilst reducing turnaround times and freight costs for North American customers.	High

Risk and analysis	Mitigation and control	Residual risk
Business development and revenue growth risks In the past Hardide has not achieved the pace of revenue growth previously anticipated for various reasons including: - lack of market awareness of Hardide's unique coating technology - lower cost coating alternatives for certain applications - long lead times to achieve technical accreditations / specifications - an overly engineering led as opposed to commercially led approach to sales and business development	Headed by the new CEO, Hardide is now addressing these issues, including: - a new digital marketing strategy launched in 2024 to raise brand and product awareness, targeting key specifying engineers - business development focus and prioritisation on niches where Hardide is truly differentiated relative to competitors and can provide a unique solution and value proposition (eg, where erosion and corrosion resistant coatings and non-line of sight applications are needed) - new enhanced product and customer solutions business streams launched in 2024, including spares markets, to reduce lead times for new work approvals and to increase regular sales volumes - working more collaboratively with customers and potential customers to develop bespoke solutions and applications to develop and solve problems together - evolving the Hardide business development and engineering teams and skills to enable more innovative development of improved value propositions.	Medium/High
People risks Hardide has a workforce of c.30 people across two operating locations. The unique nature of our coating technology and production process, together with the small size of the company, means there is significant know-how in many roles and therefore the ongoing motivation and retention of our people is key. Succession planning can be challenging in such a small business and is currently an area of Board focus as we prepare the business for the next stage of its growth and development. The business is now evolving a more commercially led and entrepreneurial culture to better deliver on its business development aspirations.	We are fortunate to have a loyal workforce, many of whom are long serving. The Group culture fosters openness and regular communication with all employees as the business grows and develops. A full personal development review process was introduced in 2024 to help enable all staff to reach their potential and to continue to learn and grow with the business. Hardide's reward framework was also refreshed in 2024 such that all employees now participate in a bonus scheme aligned with the profitable growth of the business. Pay rises were awarded in January 2025. The cultural evolution is being driven through a combination of recruitment, training and development.	Medium

Risk and analysis	Mitigation and control	Residual risk
Funding Until recently the Group has been loss-making at EBITDA level and dependent on equity and lease finance to fund this. Significant, sustained adverse changes to current trading conditions could put us back in this position. In such circumstances, should such funding not be available, the viability of the Group could come into question. Given the Group has significant (c.50%) spare operational capacity, management does not believe that the Group will require further equity funding to deliver its current strategic plan. However, significant new business development opportunities might alter this assessment.	Since the 2024 equity fundraise, stronger cash and cost management disciplines have been implemented and the cash break-even point of the business has been reduced substantially to just over £5m of revenue. This has taken the business into an EBITDA positive and cash generative position for the first time. At the end of December 2024, the Group had £1m of available cash resources. Cash flow statements and forecasts are prepared at least monthly, with focus on revenue forecasting and keeping regular dialogue with key customers. Sensitivity analyses are regularly reviewed by the Board with action taken accordingly. We seek to build strong relationships and foster regular communication with key institutional and private shareholders. We are fortunate that there has been a track record of shareholder support for, and belief in, the business as it continues to develop.	Medium
Operational risks, including HSE Hardide has two factories, one in the UK and one in the USA. Loss of either would be significantly detrimental to the Group's performance, albeit much work is interchangeable between sites and we have spare capacity at both. A major health and safety, or environmental incident could also cause significant disruption to the business and impact its reputation. Neither site is considered to be exposed to unusual or specific natural resource or climate risks (fire, flood, hurricane, drought etc).	Professional internal operating disciplines, health & safety procedures, and quality standards are maintained at both sites (ISO9001 and AS9100). The UK site also has ISO14001 and NADCAP accreditations. Regular fire risk inspections and tests with recommendations implemented. Clear processes and methodologies for management and disposal of potentially harmful process chemicals in line with regulations. Preventative maintenance regimes. Insurances held by Hardide and its landlords provide monetary mitigation for operational disruption.	Medium

Risk and analysis	Mitigation and control	Residual risk
IT and cyber security The Group's operations could be impacted by IT failures or cyber security breaches in an external environment where cyber risks are reportedly increasing.	The Group has both internal and outsourced IT support capability. Cyber security is managed by an external party and the Group holds the UK government sponsored Cyber Essentials Plus certification. Disaster recovery plans in place and tested.	Medium
Product failure / warranty Risk of liabilities / losses incurred from third party claims relating to product defect or failure and potential for consequential reputational damage.	Extensive testing and certification programmes, working together with customers, largely mitigate this risk. Hardide has a strong product quality record. Hardide does not warrant the performance of the coating in use, only that it meets the described technical specifications. Standard trading terms seek to limit Hardide's liability to the coating price paid for the parts supplied on the basis that parts are supplied to customers' specifications. Product and public liability insurance is in place.	Medium/low

The Board of Directors

Andrew Magson

Chair

Andrew was appointed as Non-Executive Director and Chair in October 2022. He is chair of the Nomination and Audit Committees and a member of the Remuneration Committee.

Andrew has almost 20 years' experience serving on the Boards of UK public companies in the engineering, building and industrial manufacturing sectors. He was Executive Director, CFO and Company Secretary of The Alumasc Group plc between 2006 and 2020 where he worked with the Board to deliver Alumasc's strategic transformation from a diversified industrial group into a growing, sustainable building products business. Prior to that, Andrew was Group Financial Controller at BPB plc, where he also worked internationally in M&A and operations at the time when BPB grew to become a FTSE 100 company.

Andrew spent his earlier career at PwC in London where he qualified as a Chartered Accountant, gaining significant corporate finance, audit and corporate governance experience. He holds a Business degree from The University of Bath.

Current external appointments: Non-Executive Director and Chair of the Audit Committee at Renold plc. Pension Trustee and Chair of the Pension Investment Committee at The Alumasc Group plc.

Matthew Roger Hamblin

Chief Executive Officer

Matthew was appointed Chief Executive Officer on 3 June 2024, having previously been appointed as a Non-Executive Director on 1 November 2023.

Prior to being appointed as a Non-Executive Director of Hardide plc, Matthew was Chief Executive Officer at Keronite, an advanced coatings and surface treatment company, where he led its growth into profitability and its subsequent sale to the Curtiss-Wright Corporation in November 2022. He has prior experience in a variety of sales and commercial leadership roles. He was recently Commercial Vice President of Nyobolt, a high-performance battery and charging technology company.

Current external appointments: None

Simon Andrew Hallam

Finance Director

Simon was appointed Finance Director on 20 April 2020. Simon is Company Secretary.

Simon has over 25 years' experience in senior finance roles within industrial manufacturing and engineering companies. He joined from the Doncasters Group, a leading international engineering company, where he was Finance Director of the UK business in the Industrial Gas Turbine Division. Prior to that, he was with IMI plc for nine years as Finance Director of the UK business within the Precision Engineering Division. He was Company Secretary of IMI Precision Engineering Ltd for seven years and of Norgren Limited for five years.

He started his career with KPMG where he spent 11 years. Simon holds a BA (Hons) in Accountancy and is a Chartered Accountant and Fellow of the Institute of Chartered Accountants in England and Wales.

Current external appointments: None

Dr Yuri Nikolaevich Zhuk

Technical Director

Yuri is a co-founder and Technical Director.

Yuri started his career as a scientist and has more than 25 years of successful international technology business experience in advanced materials. He holds an MSc (with Distinction) in Physics and a PhD degree in Plasma Physics and Chemistry from the Lomonosov Moscow State University, and an MBA from the Open University in the UK. Yuri managed the Company's CVD coating technology development from early laboratory stage to the aerospace-approved manufacturing technology now used by blue chip customers. He has participated in several fundraisings from the first seed capital round to the Hardide plc listing on the London Stock Exchange AIM market. As Technical Director, Yuri is responsible for all aspects of development of the Company's technology. He is the author of patents and numerous scientific and technical publications and has presented Hardide's technology at leading international conferences. Yuri brings in-depth knowledge of advanced coatings and surface engineering technology, proven expertise in management of R&D and commercialisation of advanced materials, technology start-ups, patenting and intellectual property management.

Current external appointments: In 2019, Yuri was appointed a Visiting Fellow and a Recognised Teacher at the Cranfield University School of Aerospace, Transport and Manufacturing.

Dr Bryan Allcock

Senior Independent Director

Bryan was appointed Non-Executive Director on 3 December 2024 and succeeded Tim Rice as Hardide's Senior Independent Director and Chair of the Remuneration Committee on 1 January 2025. Bryan is also a member of the Audit Committee.

Bryan is currently CEO of his own business, TRL9 Limited, which runs a diverse portfolio of research and development projects, including advanced coatings, new alloy development and structural adhesives in the automotive industry. Bryan is a subject matter expert to the Ministry of Defence and BAE Systems for the coating of flight decks for Queen Elizabeth Class aircraft carriers and has collaborative research contracts with Jaguar Land Rover, the Defence and Security Accelerator (DASA) and the European Space Agency. Bryan holds an MBA, has a degree in applied chemistry and materials, and holds a PhD in Corrosion Engineering from Cranfield University. He is a fellow of the Institute of Materials, Minerals and Mining and has been a strategic adviser to the Institute.

Current external appointments: Bryan is CEO of TRL9 Limited and holds several directorships in surface engineering and advanced materials companies.

Andrew Richard Boyce

Non-Executive Director

Andrew was appointed Non-Executive Director on 12 June 2012.

Andrew represents a significant family shareholding in the Group's issued share capital: the family having been an investor in the Group since 2003. He has a deep knowledge and understanding of the Hardide business. He has significant experience as a director on multiple boards and adds an informed and challenging dimension to the Board. Since 1987, Andrew has been involved in the management and growth of numerous family businesses. These encompass farming, property and other commercial activities. After graduating in 1984 with a Diploma in Agriculture and Estate Management from the Royal Agricultural College, Cirencester, Andrew worked in commercial property sales and lettings, and development site appraisals and acquisitions.

Current external appointments: Director of a number of farming and property companies. Other appointments include non-executive director of TDCM Ltd, manufacturer of electric motors for the automotive sector, electric two-wheeler and leisure markets, where he is chair of the Remuneration and Nominations Committee.

Report of the Directors

Results

The Group loss for the period, after taxation, amounted to £1,320,000 (2023: £1,118,000 loss). The directors have declared that no dividends will be paid in respect of the 2024 financial year (2023: Nil).

Directors

The membership of the Board during the year ended 30 September 2024 and changes to the board and the beneficial interests of the directors and their families in the shares of Hardide plc are shown below.

	Appointed	Resigned	**30 September 2024 Number of ordinary 4p shares**	30 September 2023 Number of ordinary 4p shares
Andrew Magson	24 October 2022		**191,215**	24,549
Andrew Boyce	18 June 2012		**1**	1
Tim Rice	20 March 2018	31 December 2024	**83,180**	27,625
Matthew Hamblin	1 November 2023		**111,111**	-
Philip Kirkham	1 September 2012	5 March 2024	**183,461**	183,461
Steve Paul	12 February 2024	17 June 2024	**-**	-
Yuri Zhuk	14 March 2005		**190,420**	190,420
Simon Hallam	21 April 2020		**10,526**	10,526

In addition to the share Andrew Boyce holds in his own name, he also represents family and associated entities totalling 10,052,557 shares. No director had, during or at the end of the year, a material interest in any contract which was significant in relation to the Group's business.

Directors' interests in share options

The Group has share option schemes under the terms of which certain directors are able to subscribe for ordinary shares in Hardide plc. Details of the directors' interests in share options are shown in the Remuneration and Nomination Committee's Report and in Note 18 to the Group accounts.

Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare Group financial statements in accordance with applicable law and UK adopted international accounting standards and the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

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

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

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

Going Concern

The directors have adopted the going concern basis in preparing the financial statements after assessing the principal risks and considering the impact of various downside scenarios to the Group's base case financial plans, including latest sales expectations and profit margins for the period to March 2026.

The Board expects the Group to have sufficient financial and other resources to continue to operate as a going concern for the foreseeable future, but in reaching that conclusion the Board has undertaken a series of sensitivity analyses based on the Group not achieving its base case sales forecast.

Reverse stress testing suggests that, absent specific actions to reduce costs, working capital and capital expenditure, the Group may need to seek further funding only if revenues fell by more than 20% compared to forecast. Given to date the business is trading in line with management expectations, the Board considers this scenario to be unlikely.

Viability through the Group's strategic planning period

The directors have assessed the prospects of the Group, and the risks facing it, both as described more fully in the Strategic Report. The Group's financial planning period is three years and, in the Directors' judgement, subject to the uncertainties described above, in the Financial Review and in Note 1 to the financial statements, there is a reasonable expectation that the Group will continue to be viable over that period and beyond.

Substantial shareholders

At 31 December 2024 the following shareholders had a disclosable interest in 3% or more of the nominal value of Hardide plc's shares:

	Shareholding	%
Andrew Boyce & Associates	10,052,558	12.8
Canaccord Genuity Wealth Management (Institutional)	9,410,526	12.0
P Evershed	4,988,593	6.4
Amati Global Investors	4,521,963	5.8
Executors on behalf of A Badenoch & Associates	4,116,666	5.3
G Cooley	4,100,000	5.2
Interactive Investor (Private Clients)	3,350,833	4.3
Unicorn Asset Management Ltd	3,179,608	4.1
J Lobbenberg	2,910,488	3.7
Hargreaves Lansdown	2,744,779	3.5
T Simpkin	2,664,866	3.4

Section 172

The way in which the Board has performed their duties under section 172(1) of the Companies Act 2006 is set out below:

Likely consequences of any decision in the long term

The directors and senior managers participate in the Group's strategic planning process. There is an annual strategic planning meeting that looks out over three years. Progress against the strategic plan is reviewed by the Board regularly and adapted if needed.

Act in the interests of the Group's employees

The CEO holds bi-monthly "Town Hall" staff briefings, incorporating a Q & A session and improvement proposals from staff. In late 2023, the Group carried out its first employee engagement survey, and implemented several actions identified as part of this survey. In November 2024, the Group carried out its second employee engagement survey and, having assessed the findings, are in the process of implementing them where appropriate.

In December 2024, an incentive scheme was put in place for all employees to earn a bonus, contingent upon the Group achieving certain financial performance targets.

In addition to their salary, staff enjoy regular health checkups and healthcare insurance. Grievances may be raised in confidence with any director. The Group's offices and production area provide an attractive space and there is adequate space in which to work. The Group is committed to Health & Safety, and employees are encouraged to identify and report "near misses" so that remedial action can be taken to remove the risk of workplace accidents.

Foster the Group's business relationships with customers, suppliers, shareholders and other providers of funding

The Group maintains regular contact with key customers, working closely with them to adapt Hardide's technology to meet their needs and solve problems. Likewise, the Group co-operates closely with its key suppliers.

The most critical 'bought-in' supplies for production are electricity and the gases used in the coating process. Together, these account for the majority of variable production costs. Internationally, the primary process gas is deemed to be a strategic material. Since electricity is a commodity, the Group reviews regularly its supply arrangements. It has not been found useful to develop a relationship with any particular supplier of electricity, but the Group works frequently with its energy broker.

The Group was grateful for the support from shareholders during the equity fund raise in February 2024. The CEO, Finance Director and Chair either meet with or make themselves available to meet with shareholders at least twice a year as part of the Group's interim and annual results presentations. Shareholders are also able to meet the Board and ask questions at the AGM.

Close relationships are also maintained with the Group's bankers, landlords and providers of asset finance.

Take account of the Group's operations on the community and the environment

The investment in new plant and facilities following the move to new premises in 2020 has achieved a reduction in emissions to very low levels and much of the new plant and equipment were optimised for environmental performance. This also improves on the current environmental rules set by the authorities, thereby reducing the Group's environmental impact.

In cooperation with both customers and suppliers and their respective subcontractors, we continue to look to further reduce our carbon footprint through a number of different measures, such as shortening the distance goods have to travel, optimising production scheduling to make the most efficient use of process gas, etc.

Maintain a reputation for high standards of business conduct

Because of its necessarily long-term relationship with suppliers, customers and regulatory bodies, the Group must maintain very high standards of business conduct. To do otherwise would restrict sales, especially new sales. This extends to employees, among whom is embedded the Group's very valuable non-patented intellectual property.

Act fairly between members of the Group

All shareholders are free to raise matters with the Chair, the CEO and the Senior Independent Director ("SID"). The Chair, CEO and Finance Director meet regularly with larger shareholders (usually twice per year) and all shareholders are encouraged to participate in the Annual General Meeting.

Simon Hallam
Director and Company Secretary

28 January 2025

Corporate Governance Statement

The Board is committed to high standards of corporate governance.

Hardide complies with the Corporate Governance Code of the Quoted Companies Alliance ("QCA Code"). A detailed review of how Hardide complies with each provision of the Code can be found on our website at https://hardide.com/investor-relations/corporate-governance.

The Board is cognisant of recent changes to the QCA Code and that the revised Code will apply to our 2025 financial year. In light of the forthcoming changes:

(a) we intend to develop a Purpose statement;

(b) we are aware that the diversity of the Board could be improved, and we will take opportunities to do so;

(c) we are developing a Remuneration Policy for the first time. This will be based on the principles set out in the Remuneration and Nomination Committee report in this Annual Report. We will seek to consult shareholders on the proposed Policy in advance and, once it has been published for the first time, we intend to put it to a shareholder advisory vote. In the meantime, we would welcome any shareholder comment on this year's remuneration report; and

(d) Resolutions will be put before the AGM annually, commencing in 2025, for the re-election of all Directors.

Attendance at meetings

The following table summarises the number of Board and Board Committee meetings held during the financial year ended 30 September 2024. In addition to the formal meetings listed below, Board members and NEDs held a number of informal ad-hoc meetings and discussions.

	Board	Audit Committee	Remuneration & Nomination
A Magson	12	4	9
M R Hamblin[2]	11	4[1]	5[1]
S A Hallam	12	4[1]	3[1]
Y N Zhuk	12	-	2[1]
P D Kirkham[3]	5	3[1]	3[1]
S J Paul[4]	4	1[1]	-
A R Boyce	12	4[1]	9[1]
T J Rice[5]	12	4	9

[1] invited to participate in the meeting, or part of the meeting, as an attendee, except in the case of M R Hamblin who attended two Audit Committee and three Remuneration and Nomination Committee meetings as a formal member of those Committees, prior to his appointment as CEO in June 2024, see also note 2 below.

[2] M R Hamblin joined the Board on 1 November 2023 as a NED, and subsequently became Chief Executive on 3 June 2024

[3] P D Kirkham resigned from the Board on 5 March 2024

[4] S J Paul was appointed to the Board on 12 February 2024 as Interim Chief Executive and stepped down from the Board on 18 June following M R Hamblin's appointment as permanent Chief Executive on 3 June.

[5] After the period end, T J Rice retired from the Board on 31 December 2024, and was succeeded by Dr. Bryan Allcock who was appointed on 3 December 2024.

Board priorities for the 2024 financial year

The Board's agreed priorities for the financial year under review were:

1. To oversee the successful recruitment of a new CEO and a smooth handover process
2. To obtain further debt and equity financing
3. To achieve key business and financial targets for the year, with focus on sales and business development initiatives
4. To better incentivise delivery of key financial metrics through the introduction of whole company incentive plans, with full communication and training on this
5. NEDs to support the Executive team by using their contacts and market knowledge to identify and promote new business opportunities

The Board considers that, for the most part, it achieved its objectives for the FY24 financial year, except that the business development and financial targets set, in particular sales and profit growth were clearly not achieved. The Board has become increasingly focused on initiatives to deliver an acceleration in profitable growth during the year, and this is now being led by our new Chief Executive, Matt Hamblin. An increasing proportion of the Board's time is being spent on supporting and facilitating initiatives to grow sales, particularly over a short to short /medium term time horizon.

Board priorities for the 2025 financial year

The Board's agreed priorities for the current financial year are as follows. These also reflect feedback and agreed actions from the Board review of its own performance during the year.

1. Support the executive team to achieve / exceed the FY25 budget
2. Oversight / approval of Hardide's strategy and business plan for growth, as updated and refreshed following Matt Hamblin's appointment as CEO in 2024
3. Oversee a successful succession process for the Senior Independent Director
4. Implement the Board's continuous improvement actions from the review of its own performance during the year, including compliance with the revised QCA Code in 2025
5. Promote further senior management development, including through participation in Board meetings

Matters reserved by the Board and delegated authority levels

There is a formal schedule of matters reserved for a Board decision. This includes the appointment of directors, any raising of funds, the setting of high-level targets, approval of budgets, strategy, capital and revenue expenditure above certain limits, license agreements and incentive schemes. Authority levels for expenditure are delegated to individual executives or management committees according to a schedule agreed by the Board from time to time.

Development of strategy and annual budgets

Each year the whole Board considers and develops the Corporate Strategy set out in the previous year. The formulation or re-formulation of Corporate Strategy is led by the Chief Executive but is formally set and agreed by the whole Board. The development of the annual budget is set within the framework of the Corporate Strategy and is prepared by the executive directors and other senior management and is reviewed and approved by the Board.

Hardide's Strategy is set out in the Strategic Report.

Business Reviews

At its regular monthly meetings, the Board reviews the performance and development of the Group, including financial information.

The monthly Board pack includes a presentation by the CEO which incorporates KPIs from across the business, including health, safety & environmental performance, business development, website and e-marketing, plant performance, delivery performance, research & development and sales activity. Progress on strategic projects is also reviewed monthly. Particular attention is paid to sales and business development and progress with the execution of Hardide's strategy of accelerating revenue growth.

Financial information for the Group and its subsidiaries includes detailed profit & loss accounts, cash flow statements and balance sheets; together with analyses of movements in cash, trade debtors, trade creditors and fixed assets.

Directors may call for further analysis of any particular matter.

Independence of directors

Each of the directors, with the exception of Dr. Allcock who joined the Board recently, directly owns ordinary shares in Hardide plc. Mr Boyce represents a large percentage of shares by virtue of his directorship of companies that own Hardide shares. Mr Hamblin, Mr Hallam and Dr Zhuk have options over ordinary shares of Hardide plc, and are disclosed in this Annual Report and on the Regulatory News Service (RNS) at the time of grant.

As in previous years, the main criteria for assessing the independence of Non-Executive Directors were:

i Based on the observed conduct of the director at and outside Board and Committee meetings, has that director acted clearly and consistently in the best interests of the Group?

ii Has there been any matter affecting the Group that might have given rise or might give rise in the future to any conflict of interest?

iii Is the director's direct or indirect holding of shares or other financial instruments (such as share options) in the Group substantial enough to cause an external observer to believe the director in question might possibly have a potential conflict of interest? In this case, 'substantial' has been taken to mean 10% or more of the total issued share capital

iv Has the director served on the Board for a period of more than 9 years?

Mr Boyce is not considered independent based on the third and fourth of these tests. However, Mr Boyce's ongoing input to the Board is considered important to its overall effectiveness given the perspective he brings from his substantial external Board and governance experience, and also his alignment with Hardide shareholders' interests through his representation of family shareholdings in the Group.

Number of directors and membership of Board Committees

In the past financial year, a total of eight directors served and, at various times, between three and four of these were executive and between three and four were non-executive directors. At the date of this report, the Board has six members, of which three are executive and three are non-executive.

Tim Rice served as the senior independent director ('SID') during the year under review. Tim was succeeded in this role by Dr Bryan Allcock effective from 1 January 2025, following Tim's retirement from the Board on 31 December 2024. In addition, and in compliance with the Code, Tim Rice was the chair of the Remuneration & Nomination Committee in the year under review.

The chair of the Audit Committee was Andrew Magson. The Board is aware that the Chair of the Board should not ideally also chair the Audit Committee, but given the size and financial position of the Group considers this to be appropriate at least for the time being, but keeps this position under review.

Following the appointment of Dr Bryan Allcock as SID on 1 January 2025, he was also appointed Chair of the Remuneration Committee. Bryan also became a member of the Audit Committee and the Nominations Committee at that time.

Andrew Magson became Chair of the Nominations Committee effective from 1 January 2025 and he continues to Chair the Audit Committee and is a member of the Remuneration Committee.

The Remuneration, Nomination and Audit committees continue to comprise solely independent non-executive directors, in line with the QCA Code.

Roles of the Chair, CEO and Senior Independent Director

Presently, Hardide is a relatively small company and so most directors have a range of tasks and responsibilities.

Non-Executive Chair:

The role of the Group's Chair is to:

- i ensure effective communication with shareholders;
- ii be available for private meetings or calls with principal shareholders;
- iii set the overall rules for corporate governance and ensure compliance with these;
- iv oversee the development of Corporate Strategy;
- v ensure effective and open communication among directors; particularly at Board meetings;
- vi chair the Audit Committee and Nomination Committee;
- vii together with the CEO, direct and lead recruitment and induction programmes for new directors and senior recruits; and
- viii ensure the appropriate content, format and presentation of information for the Board.

CEO:

The CEO develops, gains Board approval for, and implements the Strategy. Also, he designs and implements the sales and marketing plans. Also, he has the principal responsibility for the Group's financial performance. He maintains a strong relationship with the Chair and is jointly responsible with him for shareholder communication and, by way of staff briefings, ensures awareness among all staff of the Group's performance and key objectives, including increasing their awareness of the Group's sales and business development targets. These briefings are held on a frequent basis throughout the year. All members of the senior management team, including the two other executive directors report to the CEO.

Ensuring compliance with the quality management systems, adequate staff training, the health & safety of employees and the environmental performance are direct accountabilities of the CEO.

Senior Independent Director ("SID")

The SID is charged with:

- i Being a conduit for the concerns of directors, shareholders and other stakeholders who prefer to discuss matters that they have been unable to resolve through other channels;
- ii being available to meet principal shareholders;
- iii being a sounding board for the Chair; and
- iv along with other non-executive directors, and having taken soundings among other suitable parties, conducting reviews of the performance of the Chair.

Board performance review

The Chair led a review of the performance of the Board during the year. This was done through a questionnaire completed by each Board member, followed by series of interviews with each director. The SID had discussions with each Board member with regard to the Chair's performance.

The conclusion of the Board performance review was that the Board had ultimately responded well to the unexpected downturn in trading in the first part of the year; successfully raised funds to help secure the Group's future; and managed the succession of Chief Executive and the subsequent restructuring of the business effectively to significantly reduce cost and achieve a cash break-even position. The Board's key objectives for the current financial year are set out above.

Range of skills and experience

A review is undertaken annually of the range of skills and experience among the directors in light of the evolving priorities needed to promote and achieve success for Hardide over the longer term.

The number of directors (serving at the date of this report) assessed to have appropriate experience and / or specialisms in the following areas relevant to Hardide are as follows:

Skill or specialism	Number of Directors
Strategy and strategic development	6
General management	4
Coatings, surface treatment and relevant Hardide end user markets	4
Sales, business development and marketing	2
Engineering and new product development	3
Health & safety, operations, manufacturing	6
Human resources	2
International business	6
Corporate governance	3
Corporate finance	4
Finance and accounting	2

Three of the directors have MBAs, two have a PhD and two are Chartered Accountants.

Company Secretary

At present, the Finance Director (Simon Hallam) also acts as the Company Secretary. The directors consider that to be acceptable. This is on the grounds of the size of the Group, and its corporate structure is simple. Moreover, Mr Hallam has ready access to advice from a specialist firm that is familiar with Hardide's needs in respect of secretarial matters.

Main terms of appointment for non-executive directors

The non-executives' principal terms and conditions are available for inspection by shareholders ahead of any general meeting of the Group. What follows is a summary of those terms and conditions.

Annual fees remain unchanged at £60,000 for the Chair and those for the other non-executive directors, each of whom receive £25,000. The Chair was awarded a discretionary £30,000 bonus by the Board (in his absence from that part of the meeting) to reflect the substantial time he invested in the business during the refinancing and restructuring of the business and the transition between Chief Executives during the year. Fees are paid wholly under the PAYE system; except for Andrew Boyce whose fees are paid split between his personal service company and the PAYE system.

The terms of appointment of all non-executive directors require them to serve on Board Committees, as appropriate, and to devote sufficient time to their roles. All directors are entitled to seek independent legal advice and have personal indemnity insurance paid for by the Group.

All directors are obliged to inform the Board of any new professional commitments or potential conflicts of interest; whereupon other directors will consider the acceptability of such roles. To date, no additional commitment of a director has been found to be unacceptable.

Directors are bound by confidentiality, especially with regard to technology and to the identity of certain customers. Following the end of their appointment, directors may not, for one year, be engaged in any business or technology that does, or reasonably may be expected to, compete with Hardide.

All non-executive directors' appointments are terminable at one month's notice by either party.

Board Committees

The two standing Committees of the Board that served during the 2023/24 financial year were as follows:

1. Remuneration and Nomination Committee
2. Audit Committee

Each Committee has written terms of reference approved by the Board. These are kept under review and updated as needed. The membership and chair of Board Committees are determined by the Board.

The terms of reference for each Board Committee can be found on the Group's website.

The reports of these committees for the year are in the following sections of the Annual Report.

Beginning in 2025, the intention is to separate the Remuneration Committee and the Nomination Committee as described in the membership of Board Committees section above.

Conflict Minerals

The Group has undertaken a due diligence exercise with its suppliers of key process gasses to ensure that conflict minerals are not used in their manufacture. We can advise that all suppliers of these gases have confirmed that conflict minerals are not involved in their processes. A statement to this effect may be found on the Group's website.

Bribery Act, 2010 (the 'Act') and unethical behaviour

The Group has in place a full 'Anti-bribery Policy', and a 'Whistleblowing Policy'. Under guidelines set by the Board, the Chief Executive manages the processes and procedures that flow from these policies; in particular the areas perceived to be most at risk from bribery or from behaviour that is fraudulent or unethical. Any member of staff may raise, in confidence, with Group Human Resources, or with any director, any concerns about financial or other impropriety. From time to time, the Board considers whether these policies need to be updated. The main provisions of the Act and of Group policies and procedures appear in the staff handbook. Annually, all staff are required to confirm that they have read, understood and complied with these.

Hardide's policy regarding its anti-bribery policy and guidance thereon may be found on the Group's website.

The Market Abuse Regulation ('MAR')

The Group has comprehensive policies and procedures designed to achieve compliance with MAR. Adherence to this regulation is facilitated by software that, among other things, maintains insider lists and can provide data to the FCA. All relevant members of staff have received copies of the policies and procedures.

Hardide has elected to adopt a closed period of 30-days ahead of the announcement of its interim and preliminary full-year results; as well as a planned event that may have an influence on share price; all in accordance with MAR requirements.

The UK General Data Protection Regulation ('UK-GDPR' or 'Regulation') and the UK Data Protection Act 2018

These EU Regulations originally came into effect in May 2018 and subsequently adopted into UK law in January 2021 upon Brexit. All the procedures and proper records are in place to achieve and demonstrate compliance.

Cyber security

The Group has strong and regularly updated cyber security systems. It has an ongoing contract with an external specialist cyber security company and is accredited to the government-backed Cyber Essentials Plus scheme.

Communication with Stakeholders

Shareholders

When there is a significant event regarding the Group, full use is made of the Regulatory News Service (the 'RNS'). Shortly after the full- and half-year results are published, as well when seeking new funding, the CEO, FD and Chair have made themselves available to present the results in person, or by means of virtual meetings. In addition, the Chair has regular contact with significant shareholders, and they are free to contact him with any concerns. Face-to-face, telephone or video contact between the Chair and shareholders is encouraged.

From time to time, shareholders visit Hardide's premises. On these occasions, they are invited to ask questions and are welcome to express concerns that they may have and give their opinion on how they would like to see the Group develop. Available on the Group's website is a video showing the new facility and the equipment installed within it. Hardide's website is comprehensive and, as well as statutory documents, includes profiles of directors and descriptions of a wide range of Group features and activity. On request, hard copies of Hardide's Annual Report are available from the Group.

Other Stakeholders

In addition to shareholders, the Group considers stakeholders to include its employees, customers, suppliers, contractors, the local community and other parties with whom it interacts. As part of its Quality and Environmental Management Systems, the Group has and refers to a comprehensive 'map' of all its stakeholders.

From time to time, all staff are invited to briefings where the CEO presents, explains, and responds to questions about, important developments in the Group or its environment.

Since Hardide's processes are unique in many respects, new staff are most unlikely to have knowledge of the processes and so require lengthy training. Therefore, the Group attaches great importance to the wellbeing and retention of its staff. All employees have health plan benefits and undergo regular health checks as appropriate to their work activity.

Both the UK and US sites are accredited to aerospace Quality Management System AS9100 RevD, and ISO9001:2015. The UK site is also accredited to the international Environmental Management standard ISO 14001:2015 and to Nadcap Gold Merit Status (National Aerospace Defense Contractors Accreditation Program).

On behalf of the Board,
Andrew Magson
Non-Executive Chair

28 January 2025

Remuneration and Nomination Committee Report

Introduction and composition of the Committee

During the year under review, the members of the Committee were myself, Tim Rice, as Chair together with Andrew Magson. Matt Hamblin also served as a member of the Committee from the date of his appointment to the Board as a Non-Executive Director on 1 November 2023 until he became a candidate to become the Group's new Chief Executive in May 2024. All committee members are independent non-executive directors.

Following the financial year end, I informed the Board of my intention to retire as a Director and subsequently have supported the Committee and my Board colleagues to find and recruit a suitable successor. I am delighted that Dr. Bryan Allcock was appointed to the Board in December and succeeded me as both Senior Independent Director and Chair of the Remuneration Committee on 1 January 2025.

Overview of activities during the year

The Committee meets at least quarterly, but in the financial year ended 30 September 2024 it met 9 times, as it:

- provided oversight for the process of transition to a new Chief Executive during the year;
- oversaw the recruitment of a new non-executive director in November 2023;
- developed a remuneration package to recruit a new Chief Executive in 2024; and
- updated and revised executive incentive policies and arrangements for the 2025 financial year for recommendation to the Board.

In addition, after the financial year end, the Committee oversaw the appointment of a new independent non-executive director, who succeeded me on my retirement from the Board on 31 December 2024.

Terms of reference and principal duties

The Committee's full Terms of Reference are available on the Group's website at www.hardide.com.

Its principal duties are to:

i Determine and agree with the Board the framework and policy for the remuneration and contractual terms of the Chief Executive Officer (CEO), the executive directors and senior members of the management team who report to the Directors;

ii design or approve the design of, and recommend to the Board, targets for any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes. Such schemes and payments are subject to final approval by the Board;

iii design all share-related incentive plans for approval by the Board. For any such plans, determine each year whether awards should be made and if so, the overall value of such awards, the individual awards to directors and other senior managers and the performance targets to be used;

iv ensure that contractual terms on termination, and any payments made, are fair to the individual and to the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised;

v within the terms of the agreed policy and in consultation with the Chair or CEO or both, determine the total individual remuneration package of each executive director and other senior managers who report to the CEO, including bonuses, incentive payments and share options, other share awards or other benefits. Particular attention is paid to designing remuneration packages that are aligned with Group's principal strategic objective of accelerating profitable sales growth;

vi at suitable times, review the implementation of succession plans and oversee changes in Board composition;

vii oversee any proposal for major changes in employee benefits throughout the Group; and

viii oversee the appointment of senior members of staff, including Directors.

Remuneration policy

Policy for the remuneration of the executive directors includes three main objectives. These are to:

i Provide remuneration packages to attract and motivate executive directors and senior management of the calibre needed to run the Group successfully, and to retain them;

ii ensure that there is a strong link between such remuneration and the Group's strategy; and

iii align the executive directors' interests with those of shareholders.

Remuneration components

The remuneration of the executive directors has up to five components. They are:

i Base salary;

ii an annual performance-related discretionary bonus (non-pensionable). The maximum annual bonus potential is typically in the range 20-50% of base salary;

iii a longer-term incentive; principally comprising share options. The maximum annual bonus potential from share options awarded is up to 100% in the case of the Chief Executive and up to 70% of base salary per year in the case of the Executive Directors. The Committee considers that, at the current stage of the Group's evolution and in light of constrained cash resources, the majority of variable remuneration should be in the form of newly issued Hardide plc shares rather than paid in cash;

iv medical insurance for employees and their families; and

v in some cases, a car or car allowance.

The Non-Executive Chair is paid a fixed fee for his services. At the discretion of the Board, and reviewed on an annual basis, he might be awarded variable compensation of up to 50% of his basic fees per year.

The non-executive directors, other than the Chair, are paid a fixed fee for their services and are not awarded bonuses or share options, nor do they receive other benefits.

Directors' Service Contracts

The executive directors, Messrs Hamblin, Hallam and Zhuk, have service contracts that are terminable at up to 12 months' notice by either party.

The service contracts for non-executive directors are terminable at one month's notice either way.

Compensation for loss of office

There are no pre-determined special provisions for compensation for executive or non-executive directors in the event of loss of office. The Remuneration & Nomination Committee bases payments made on contractual obligations to the director concerned consistent with employment law and, in the case of "good leavers", retains discretion to vary those payments, as it considers appropriate, to specific circumstances. An overriding principle is not to reward poor performance.

Principal areas of work and decisions taken by the Committee during the year

(a) Nomination

In addition to reviewing and updating succession plans for the Directors and senior management, the key pieces of work carried out during the year were:

i **Recommendation for appointment of a new, commercially focused, non-executive director in November 2023**

In the Autumn of 2023, consistent with the Group's strategy of accelerating sales growth, the Committee oversaw the process to identify and recruit a new non-executive director with industry specific commercial, sales and marketing experience.

Given the very specific skills and experience required from this appointment the Committee decided, together with the Board, not to work with an external search firm in this instance. This was because a suitable long list of talented potential candidates with a diversity of backgrounds was already known to Board members from their industry knowledge.

Following discussions between the Committee and the Board, a short list of candidates was interviewed by myself and Andrew Magson, following which Matt Hamblin was identified as the preferred candidate and recommended to the Board for appointment. Matt was until 2022 the chief Executive of Keronite, originally a privately owned coatings company of a similar size to Hardide, where he had led its growth into profit and then its successful sale to the Curtiss Wright Corporation.

Given that Matt was already known to all Board members having completed a sales consultancy assignment for Hardide in August 2023, the Board provided further input to Messrs. Rice and Magson to assist them in conducting a final interview with Matt Hamblin and in taking references. This all proved to be satisfactory, and accordingly the Nomination Committee recommended to the Board that Matt be appointed.

ii **Recommendation for appointment of a new Chief Executive Officer in May 2024**

Following the announcement in November 2023 by our former Chief Executive, Phil Kirkham, of his intention to step down from the Board following an agreed transition period, the Committee led the process to appoint his successor.

An independent Executive Search firm was engaged to assist with the identification and screening of candidates. Further candidates were identified by the Board and the Board's advisers from their own networks and from contacts in the global surface treatment and coatings industries.

The specification for the role was again to seek an individual who could provide leadership to Hardide in the development and execution of its strategy of further commercialising the business and driving profitable sales growth, including delivery of results over the short to medium term.

In light of the unexpectedly challenging trading conditions experienced by the Group in the first half of the FY24 financial year and the consequential need to raise additional funding February 2024, the Committee took immediate action to appoint an Interim Chief Executive, Steve Paul, to help stabilise and take the business forward at that time.

Steve Paul, an ex-divisional managing director with Praxair Surface Technologies, had already been working with Hardide as a consultant to develop what has now become our Enhanced Products Range, and was a natural fit to bring a fresh approach to the leadership of Hardide whilst a more permanent successor was sought. Steve made it clear from the outset that for personal reasons he was not available to be considered for the Chief Executive role permanently, but he continues to work with Hardide on the sales development of the Enhanced Products Range.

During an extensive recruitment process in which a number of strong and credible external candidates were interviewed, Matt Hamblin then expressed his desire to step up from his Non-Executive role and following further conversations with the Committee and Board (with Matt Hamblin absenting himself from the discussions), we concluded that Matt's industry and commercial experience, together with his specific vision for Hardide, developed from a position inside the Group made him the preferred candidate to become the Group's new Chief Executive.

After final discussions with the Committee and the Board, Matt became Chief Executive on 4 June 2024.

iii **Recommendation for Appointment of a successor for as Senior Independent Director and Remuneration Committee Chair, Autumn 2024**

In the Autumn of 2024, I signalled my own desire to retire from the Board once a suitable successor for my position had been found. I then supported the Group Chair and my Board colleagues to identify and recruit a suitable successor. The Board agreed that the key attributes to be sought from applicants were senior level experience and a track record of success in the high-performance industrial technology sector, with both an engineering / technical background and more recent experience of commercialising such businesses and growing sales. A strong shortlist of candidates was assembled from the various Board recruitment activities already carried out earlier in the year. The interview process for shortlisted candidates demonstrated that Bryan Allcock met all the key criteria for the role as well as having career long experience in the surface treatment and coatings industries. He also brought an innovative and entrepreneurial approach, having run businesses of his own. The Committee recommended his appointment to the Board and the Board subsequently approved the appointment.

(b) Directors' remuneration

The main activities and decisions of the Remuneration Committee during the financial year were:

- to negotiate and agree the remuneration package to attract and secure the new Chief Executive.

  Mr. Hamblin was granted a basic salary of £230,000 pa on his appointment; a car allowance of £10,000 pa; and employer pension contributions of 5% of basic salary a year. In addition Mr. Hamblin was awarded restricted share options over 1,000,000 new ordinary Hardide plc shares under the Group's EMI share option scheme with an exercise price of 5.71p per share, being the 5-VWAP for the 5 business days preceding the date of the award. Discretionary long-term incentive share option awards made to Mr. Hamblin since his appointment are detailed below.

- to set variable pay incentives for the executive directors both for the FY25 financial year and for the 3 year period to FY27.

  Each of the Executive Directors is participating in a discretionary annual cash bonus incentive scheme for the FY25 financial year which enables them to earn 20% of their base pay for the achievement of a challenging EBITDA based profit target for the year. The actual EBITDA target that was set and any bonuses awarded when measured against it will be disclosed in next year's Annual Report.

  In addition, the Executive Directors were invited to participate in a performance based EMI share option scheme where Mr. Hamblin has the potential to earn up to 100% of his base salary and Mr. Hallam and Dr. Zhuk could each earn up to 60% of their base salaries should the Group achieve stretching EBITDA profit targets in the 3 years to 30 September 2027. Options over 2,300,000 ordinary Hardide Plc shares were granted to Mr Hamblin, 655,200 to Mr Hallam and 776,412 to Dr Zhuk on 27 December 2024, as announced on the Regulatory News Service. Again, the performance conditions will be disclosed retrospectively, together with the calculation of achievement against the award. The exercise price of the options was 5.71p, being the 5-VWAP for the 5 business days preceding the date of the award.

- to agree any variable pay awards to be made in respect of actual performance for the FY24 financial year. On the basis that the relevant financial performance conditions were not met, as these required an EBITDA positive performance for the year (on an unadjusted basis) no awards were made to the permanent Hardide directors. A £20,000 bonus, settled by the issue of new Hardide shares, was paid to Steve Paul's service company, Sketchley GmbH, to reflect achievement of his personal objectives, including stabilising the business following the fund raise last February, during his tenure as Hardide's Interim CEO.

- to consider pay rises for the executive directors. It was agreed that, in light of Hardide's financial performance and the necessity to raise further funds from shareholders during the year, no pay rises would be given for the year ended 30 September 2024.

- together with the Board (absent Mr. Magson), to consider how fairly to remunerate the Group's Non-Executive Chair, who had to step in on a full-time basis to lead the fund raise last winter, with hands-on involvement in ensuring the orderly transition between Chief Executives and in the major business restructuring carried out during the year. It was considered appropriate in these circumstances to award the Chair a £30,000 bonus, equivalent to 50% of his basic annual fee.

- the executive directors, together with the Chair, considered the remuneration of the non-executive directors. The executive directors, together with the non-executives other than the Chair, considered the fees of the Chair. No increase in basic NED or Chair fees was awarded.

- details of the remuneration of all Board members are set out in the tables opposite.

Executive Directors' Remuneration

£ 000's	Salary and fees	Other Benefits	Pension	Bonus	Other	**2024 Total**	2023 Total
M R Hamblin[1]	92[1]	3	3	-	-	**98**	-
S A Hallam	109	8	1	-	-	**118**	114
Y N Zhuk	129	-	9	-	-	**138**	133
P D Kirkham[2]	123	-	-	-	50	**173**	203
S J Paul[3]	59	-	-	20	-	**79**	-
Total	**512**	**11**	**13**	**20**	**50**	**606**	**450**

Notes:

[1] MR Hamblin was appointed as non-executive director on 1 November 2023 and became Chief Executive on 4 June 2024. His salary and fees disclosed above comprise a £77,000 salary as Chief Executive and £15,000 of non-executive fees for the part of the full year he was employed in these roles.

[2] PD Kirkham's salary relates to the period until 30 April 2024 when his notice period ended. The Other payments relate to a discretionary award made by the Committee who judged Mr. Kirkham to be a "good leaver" and to reflect the achievement of personal objectives set for an orderly handover to his successor.

[3] SJ Paul's salary relates to his position as the Company's Interim Chief Executive in the period February to May 2024. The bonus, which was settled in Hardide shares, relates to the successful achievement of personal objectives, including stabilising the business to deliver an EBITDA neutral performance during his tenure.

Non-Executive Directors' Remuneration

£ 000's	Fees	Bonus	**2024 Total**	2023 Total
A Magson[1]	60	30	**90**	56
T J Rice	25	-	**25**	25
A R Boyce	25	-	**25**	25
R J Goddard	-	-	**-**	16
Total	**110**	**30**	**140**	**122**

Note:
[1] The rationale for the discretionary bonus award to Mr Magson is described in the narrative on Directors' Remuneration above.

The holdings of the current Directors in the shares of the Company as at the date of this annual report, are set out in the table below:

Name	Ordinary Shares of 4p each	Share Options
Matt Hamblin	111,111	3,300,000
Simon Hallam	10,526	1,255,200
Yuri Zhuk	190,420	1,453,428
Andrew Magson	191,215	-
Andrew Boyce[1]	1	-
Bryan Allcock	-	-

Note:
[1] In addition to the share Andrew Boyce holds in his own name, he also represents family and associated entities totalling 10,052,557 shares.

Tim Rice
Chair of Remuneration and Nomination Committee (until 31 December 2024)

31 December 2024

Audit Committee Report

Composition

During the year under review, the Audit Committee comprised Andrew Magson (Committee Chair), and Tim Rice. Matt Hamblin was also a member of the Committee between his appointment to the Board as an independent Non-Executive Director on 1 November 2023 and his appointment as the Group's Chief Executive Officer on 3 June 2024. Following the period end, Dr. Bryan Allcock joined the Committee on 1 January 2025 following Tim Rice's retirement from the Board on 31 December 2024. All Committee members are, and were in the year under review, independent directors at the time they served on the Committee.

Andrew Magson is a Chartered Accountant and has recent, relevant financial experience. He is therefore judged by the Committee and Board to be an appropriate Chair of the Committee.

The Board is aware that the Chair of the Board should not normally also be Chair the Audit Committee. However, given the current size and lack of complexity of the Group and, having taken advice, the Board has concluded that it is appropriate in these circumstances for the same individual to hold both roles.

Normally, the Audit Committee meets with the Group's external auditor at appropriate times during the reporting and audit cycle, and in addition as required. The Committee met three times during the 2024 financial year, and again after the financial year end to review the 2024 Annual Report and Financial Statements and results of the annual external audit.

Duties

The duties of the Audit Committee are to:

i monitor the integrity of the financial statements and the financial reporting process;

ii review and challenge the effectiveness of the Group's internal controls, risk identification and risk management systems;

iii review the Group's arrangements for its employees to raise concerns in confidence and with impunity about possible wrongdoing and ensure these arrangements allow proportionate and independent investigation;

iv review and keep up to date the Group's procedures for detecting and preventing bribery and fraud; and ensure that the Group complies with all relevant legislation in those jurisdictions where the Group operates and / or employs staff; and

v monitor the performance of the statutory audit, review the independence and effectiveness of the external auditor; and make recommendations in relation to the appointment, re-appointment and removal of the Group's external auditor.

External audit

The Group's external auditor is James Cowper Kreston Audit.

The effectiveness and independence of the external auditor is reviewed annually by reference to the auditor's attendance at Committee meetings, their audit plan, audit fieldwork, post-audit management letter and the judgment of the Committee, including having discussed the matter with the Group Finance Director.

In accordance with the regulations for public company audits, the audit engagement partner was last changed by rotation ahead of the audit for the 2022 financial year.

The Board has policies in place for any non-audit services that are proposed to be carried out by the external auditors to ensure that James Cowper Kreston Audit maintain their audit objectivity and independence. Non-audit services would only be provided if such services were judged by both the Committee and the auditor not to conflict with the auditor's statutory responsibilities and ethical guidance. James Cowper Kreston Audit report to the Board annually on their independence from Hardide plc.

Taking all of the above into consideration, the Committee concluded the auditors were both effective and independent during the year.

Key risk areas, and audit and accounting matters considered by the Committee

Generally, there is a close relationship between Hardide's income statement and its cash flows, with few significant judgmental items or longer-term unsettled items remaining on the balance sheet.

The main accounting and audit risks identified and considered by the Committee during the year, including as described in the auditor's report, were:

- revenue recognition (principally year end cut-off);
- the valuation of executive share options; and
- going concern.

No significant adjustments or matters of concern were identified by the external audit.

Internal control and consideration of the need for internal audit

The finance function for the Group and both of the Group's operating operations is managed by the Group Finance Director in Bicester in the UK, with all management and statutory accounting, transaction processing, payments and Group payroll controlled and managed from there.

Reliance with regard to internal control effectiveness is placed on the close involvement of the Executive Directors in the day to day management and control of the business, with the Audit Committee retaining oversight of financial information provided to the Board and the Group's accounting and internal control policies and procedures. Recommendations for amendments or improvements are made as needed.

During the year there were no significant matters raised by the external auditors, nor any significant matters of concern identified with regard to internal control elsewhere that required action by the Committee.

Therefore, it is judged that the current size, financial position, complexity and risk profile of the Group does not justify the cost of an internal audit function. This will be kept under annual review.

Andrew Magson
Chair of the Audit Committee

28 January 2025

Environmental, Social and Governance

Our Philosophy

At all times, the Group aims to maintain its operations in a safe, environmentally conscious and socially responsible manner, taking into account the needs of stakeholders. These include shareholders, members of staff, suppliers, customers and the local community.

Our approach considers the effects that we have on the environment and their significance.

Environmental

Hardide is committed to minimising its emissions to the environment in every aspect.

We coat parts for North American-based customers in our Martinsville, Virginia facility rather than doing so in the UK. This avoids double freight transits across the Atlantic and reduces the amount of global CO_2 emissions.

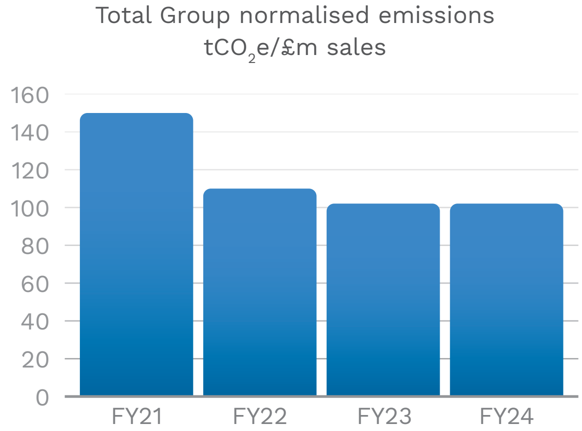
Hardide coatings benefit customers and the environment

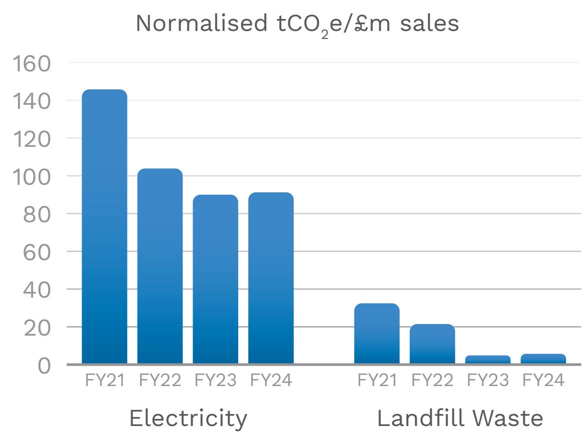
One of the best ways of helping to protect the environment is to make parts that last longer in service; this is exactly what Hardide's coatings do. Hardide coated products greatly lower the life cycle costs of customers due to increased operating life of components by reduced wear and enhanced corrosion resistance. Some customer and test reports show over a hundredfold increase in useful operating life. Our coatings also help improve efficiency and provide further benefits to end-users that include reduced downtime and extended service intervals. Each of these features bring environmental and cost benefits.

Hardide's coatings are non-toxic and are environmentally compliant. Used to replace hard chrome plating (HCP) on components, they eliminate the health hazard that the production of HCP presents and reduce the amount of toxic chrome sludge in landfills, which pose threats to both soil and groundwater. Hardide can be used instead of high-velocity oxy-fuel (HVOF) thermal spray coatings, which can contain cobalt. The use of cobalt is currently under review by the European Chemicals Agency and is thought likely to be restricted or possibly banned in the future.

Key metrics

In FY24 our total Group CO_2 emissions per £m sales stayed level compared with FY23.





In our UK facility, we have eliminated the use of natural gas and all electricity is now supplied from a renewable REGO-certified (Renewable Energy Guarantees of Origin) source. The only use of natural gas is at our US facility in Martinsville where it is used for workspace heating.

	FY23	FY24	Reduction %
Total electricity used (kWh)	1,211,276	1,090,776	9.9%
kWh/£m sales	220,232	230,608	-4.7

Water usage

	FY23	FY24	Reduction %
Total water used (m^3)	615.3	532.2	13.5%
Usage (m^3/£m sales)	111.9	112.5	-0.5

Waste

Most customer parts for coating arrive in packaging which is reused to return the parts back to the customer. Only a small amount of waste is sent to landfill and consists of such items as general office waste, non-reusable packaging and plastic containers from suppliers.

Metal residue resulting from the coating process and any metal used in masking and tooling of the products is segregated and sold to metal recycling companies.

All chemical process waste is stored and collected by specialist chemical waste disposal companies. All waste is segregated into waste streams and disposed of in accordance with local regulations. Waste transfers are recorded, verified and audited.

Landfill Waste

	FY23	FY24	Reduction %
Total waste to Landfill (t)	27.0	24.7	8.5%
t/£m sales	5.0	5.2	-4%

Transport

Customers are responsible for the transport of their goods both to and from our facilities, so Hardide has no influence on the choice of transport or routing.

Electric Vehicles

We are encouraging and supporting our employees in the move towards electric vehicle (EV) use and have four EV charging points at our Bicester site.

Social

Health & Safety

Hardide's priority is the health, safety and well-being of its employees, visitors and contractors. In addition to First Aiders, Hardide has trained Mental Health First Aiders to support our staff's mental wellbeing. To maintain physical health, we have an external Occupational Health provider which undertakes regular testing of our employees. We also enrol all staff into a Health Payment Plan which includes access to a 24-hour medical helpline.

Work Related Lost Time Incidents

We are pleased to report there were no lost time incidents in FY24.

	FY23	FY24
Total lost time incidents	0	0
Incident rate	0	0

Lost time incidents are classed as >1 day absence following day of incident. Incident rate is defined as the number of lost time incidents per 100,000 hours worked.

Local Community

Hardide is a socially-responsible company and we monitor our effect on local communities and society in general.

Our facility is located at an industrial estate away from any domestic housing, eliminating the potential for any noise to affect the local community.

Gender Diversity

	Males	Females	Total	Male %	Female %
Directors	6	0	6	100	0
Staff	23	3	26	88.5	11.5
Total Group	29	3	32	90.6	9.4

Pay equity - CEO pay as multiple of median UK earnings	6.14

Governance

Key Metrics

Are the CEO's and Chairman's roles split?	Yes
Adheres to QCA Corporate Governance code?	Yes
Percentage of non-executive directors on Board	50%
Has an Ethics Policy?	Yes
Has an Environmental Policy?	Yes
Has a Discrimination policy?	Yes

Independent Auditor's Report to the members of Hardide plc

Opinion

We have audited the financial statements of Hardide Plc (the 'Group') for the year ended 30 September 2024 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group and of the parent company's affairs as at 30 September 2024 and of the Group's loss and cash flows for the year then ended;
- the financial statements of the Group have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom accounting standards; and
- the parent company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

An overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)). We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account our understanding of the Group and parent company and their environment, the accounting processes and controls, and the industry in which the Group and Company operate.

The audit scope was as follows:

Hardide plc - the parent company holding investments in subsidiaries - full scope audit.

Hardide Coatings Limited - a trading entity that generates a significant amount of the trading results for the Group - full scope audit.

Hardide Coatings Inc - a trading entity that generates a significant amount of the trading results for the Group - appropriate audit procedures for the purpose of the audit of the consolidated financial statements.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified in the Key audit matters section below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Key audit matters

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

Revenue recognition

Risk description

There is an inherent risk of error and fraud regarding revenue.

How the scope of our audit responded to the risk

To assess the appropriateness and completeness of revenue recognised in the year we performed the following procedures:

- discussed the revenue recognition policy with management and performed a walkthrough to understand the revenue recognition process;
- examined a sample of revenue transactions by reference to underlying contractual terms;
- examined, on a sample basis, sales invoices, goods delivery notes and postings for items despatched during the year and around the period end;
- reviewed manual journals posted to the revenue account in the period and subsequent to year-end gaining an understanding of the appropriateness of these;
- considered the appropriateness and application of the Group's accounting policy for revenue recognition; and
- considered the disclosures in the financial statements regarding revenue.

Key observations

The results of our testing were satisfactory and we consider the disclosures surrounding revenue to be appropriate.

Share based payments

Risk description

During the year ended 30 September 2024, the Group undertook a number of share-based transactions.

The accounting for share-based payments is relatively complex and requires the use of judgements and estimates.

How the scope of our audit responded to the risk

To assess the appropriateness of the accounting for share based payments we performed the following procedures:

- gained an understanding through discussions with management of the process and method used to account for share based payments;
- reviewed and assessed the judgements and estimates used;
- agreed a sample of transactions to relevant documentation;
- performed recalculations to check the accuracy of the calculations; and
- reviewed the disclosures in the financial statements regarding share based payments.

Key observations

The results of our testing were satisfactory and we consider the disclosures surrounding the sale and leaseback to be appropriate.

Management override

Risk description

In preparing the financial statements management are required to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgements about the carrying value of assets and liabilities that are not available from other sources.

How the scope of our audit responded to the risk

During the course of our audit we performed the following procedures to address the risk of management override:

- gained an understanding through discussions with management of the process in place for posting journal entries;
- assessed the appropriateness of accounting policy choices made by management and the basis of key judgements, estimates and assumptions;
- reviewed manual journal entries posted within the period for indicators of management bias, transactions outside the normal course of business or indicators of fraudulent activity;
- examined on a sample basis manual journals deemed to be higher risk gaining an appropriate understanding of the business rationale as well as confirming the accuracy of postings; and
- considered the value, nature and cause of misstatements identified during the course of the audit to identify indicators of bias.

Key observations

The results of our testing were satisfactory and we consider the disclosures surrounding accounting policy choices and key accounting judgements to be appropriate.

Going concern

Risk description

Management are required to prepare the financial statements on the going concern basis unless they either intend to liquidate the Group, or to cease trading, or have no realistic alternative but to do so. In assessing going concern, management make estimates and judgements relating to the future that are considered to be reasonable but that are inherently uncertain.

How the scope of our audit responded to the risk

During the course of our audit we performed the following procedures to address the risk of going concern:

- gained an understanding through discussions with management of the process in place for reviewing going concern;
- reviewed budgets and forecasts prepared by management and considered the assumptions made for reasonableness;
- considered a range of severe but plausible downside scenarios and reviewed the impact on management's assessment of the Group being a going concern; and
- reviewed the adequacy of the disclosures in respect of going concern.

Key observations

The results of our testing were satisfactory and we consider the disclosures surrounding going concern to be appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Group materiality

On the basis the Group focus is on increasing sales significantly and transitioning from significant losses, towards break-even and profitability, a revenue rather than loss-based measure was deemed the most appropriate benchmark to use to calculate materiality. Having regard to both the size of the business and its performance and using our professional judgement 1.5% of revenue was viewed as an appropriate level to set materiality, resulting in materiality being set at £70,000 (2023: £80,000). Performance materiality of £52,500 (2023: £57,000) was applied for testing and it was agreed with the Board that we would report on all audit differences in excess of £4,000 (2023: £4,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Group materiality in the prior year was also based on a revenue based benchmark.

Parent company materiality

The parent company does not generate significant sales and incurs significant expenditure. As a result, we believe a loss-based measure to be the most appropriate benchmark to use to calculate materiality for the parent company financial statements. Having regard to both the size of the company and its performance and using our professional judgement, 5% of the loss before tax, after adjusting for foreign exchange gains and losses on intercompany balances and intercompany charges, was viewed as an appropriate level to set materiality. This resulted in a materiality level of £60,000 (2023: £48,000). Performance materiality of £45,000 (2023: £36,000) was applied for testing and it was agreed with the Board that we would report on all audit differences in excess of £3,000 (2023: £2,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Parent company materiality in the prior year was also based on an adjusted loss-based benchmark.

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 Group's or the parent 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 included in the annual report

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the Annual Report. 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 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors’ responsibilities statement set out on pages 26-27, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors’ either intend to liquidate the Group and parent company or to cease operating, 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.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

The specific procedures for this engagement that we designed and performed to detect material misstatements in respect of irregularities, including fraud, were as follows:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing reports and submissions with regulatory bodies including enquiries of those in compliance functions;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing the robustness of, and compliance with, the Group’s internal control procedures in the identification of irregularities, including fraud;
- Examined, on a sample basis, manual journals deemed to be higher risk, gaining an appropriate understanding of the business rationale as well as confirming the accuracy of postings and reviewing accounting estimates for bias.

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

Use of our report

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an Auditors’ 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.

Alan Poole BA (Hons) FCA (Senior Statutory Auditor)
For and on behalf of
James Cowper Kreston Audit
Chartered Accountants and Statutory Auditor
2 Chawley Park
Cumnor Hill
Oxford OX2 9GG
United Kingdom

28 January 2025

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2024

	Note	2024 £000	2023 £000
Revenue	2	**4,730**	5,499
Cost of sales	2	**(2,454)**	(2,886)
Gross profit		**2,276**	2,613
Administrative expenses		**(2,244)**	(2,871)
Other operating income	3	**-**	159
Adjusted EBITDA before restructuring costs		**32**	(99)
Restructuring costs	3	**(399)**	-
EBITDA		**(367)**	(99)
Depreciation and amortisation	3	**(823)**	(863)
Impairment of goodwill	3	**-**	(69)
Operating (loss)	3	**(1,190)**	(1,031)
Finance income	4	**4**	3
Finance costs	5	**(157)**	(165)
(Loss) on ordinary activities before taxation		**(1,343)**	(1,193)
Taxation	7	**23**	75
(Loss) on ordinary activities after taxation		**(1,320)**	(1,118)
(Loss) per share: Basic	8	**(1.9)p**	(1.9)p
(Loss) per share: Diluted	8	**(1.9)p**	(1.9)p
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(71)**	(144)
Total comprehensive loss for the year attributable to owners of the parent company		**(1,391)**	(1,262)

Non-recurring restructuring costs of £399,000 were incurred in the year (2023: £Nil). These related to the refinancing of the company in February 2024, the transition to a new Chief Executive during the year and initiatives to significantly reduce the ongoing overhead base of the business.

All operations are continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

For Hardide plc, company registered number 05344714 at 30 September 2024

	Note	**2024 £000**	2023 £000
Assets			
Non-current assets			
Intangible assets	10	**9**	9
Property, plant & equipment	11	**3,979**	4,640
Right of use assets	12	**1,526**	1,697
Total non-current assets		**5,514**	6,346
Current assets			
Inventories	13	**167**	236
Trade and other receivables	13	**980**	742
Other current financial assets	13	**391**	335
Cash and cash equivalents	13	**700**	740
Total current assets		**2,238**	2,053
Total assets		**7,752**	8,399
Liabilities			
Current liabilities			
Trade and other payables	14	**795**	919
Loans	14	**235**	253
Deferred income	14	**393**	17
Right of use lease liability	14	**216**	182
Total current liabilities		**1,639**	1,371
Net current assets		**599**	682
Non-current liabilities			
Loans	15	**479**	508
Deferred income	15	**50**	72
Right of use lease liability	15	**1,875**	2,106
Provisions			
Provision for dilapidations	16	**50**	50
Total non-current liabilities		**2,454**	2,736
Total liabilities		**4,093**	4,107
Net assets		**3,659**	4,292
Equity attributable to equity holders of the parent			
Share capital	17	**4,845**	4,063
Share premium	17	**19,188**	19,242
Retained earnings		**(20,638)**	(19,318)
Share-based payments reserve		**607**	577
Translation reserve		**(343)**	(272)
Total equity		**3,659**	4,292

The financial statements were approved and authorised for issue by the Board on 28 January 2025.

Matthew Hamblin
Director

Simon Hallam
Director

Consolidated Statement of Changes in Equity

For the year ended 30 September 2024

	Share Capital £000	Share Premium £000	Share-based Payments £000	Translation Reserve £000	Retained Earnings £000	Total Equity £000
At 1 October 2022	4,063	19,242	553	(128)	(18,200)	5,530
Share options	-	-	24	-	-	24
Exchange translation	-	-	-	(144)	-	(144)
Loss for the year	-	-	-	-	(1,118)	(1,118)
At 30 September 2023	4,063	19,242	577	(272)	(19,318)	4,292
At 1 October 2023	**4,063**	**19,242**	**577**	**(272)**	**(19,318)**	**4,292**
Issue of new shares	782	98	-	-	-	880
Share issue costs	-	(152)	-	-	-	(152)
Share options	-	-	30	-	-	30
Exchange translation	-	-	-	(71)	-	(71)
Loss for the year	-	-	-	-	(1,320)	(1,320)
At 30 September 2024	**4,845**	**19,188**	**607**	**(343)**	**(20,638)**	**3,659**

Consolidated Statement of Cash Flows

For the year ended 30 September 2024

	2024 £000	2023 £000
Cash flows from operating activities		
Operating (loss)	**(1,190)**	(1,031)
Gain on sale and leaseback	**-**	(159)
Impairment of goodwill	**-**	69
Depreciation and amortisation on owned assets	**605**	677
Depreciation on right of use assets	**218**	186
Share option charge	**30**	24
Decrease in inventories	**69**	251
(Increase) / decrease in receivables	**(270)**	243
Increase / (decrease) in payables	**269**	(93)
Cash (used in) / generated from operations	**(269)**	167
Finance income	**4**	3
Finance costs	**(157)**	(165)
Tax received	**-**	161
Net cash (used in) / generated from operating activities	**(422)**	166
Cash flows from investing activities		
Purchase of intangibles, property, plant and equipment	**(64)**	(110)
Net cash (used in) investing activities	**(64)**	(110)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	**728**	-
Proceeds from sale and leaseback	**-**	477
New loans raised	**235**	-
Loans repaid	**(260)**	(286)
Repayment of leases	**(269)**	(289)
Net cash generated from / (used in) financing activities	**434**	(98)
Effect of exchange rate fluctuations	**12**	89
Net (decrease) / increase in cash and cash equivalents	**(40)**	47
Cash and cash equivalents at the beginning of the year	**740**	693
Cash and cash equivalents at the end of the year	**700**	740

Notes to the Consolidated Financial Statements and Principal Accounting Policies

1. Accounting policies

Accounting convention

The Group is required to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) 2006 issued and effective at the time of preparing these annual financial statements, in conformity with the requirement of the Companies Act.

There have been no changes to accounting standards that have a material effect on the financial statements for the year, or which are anticipated to have a material effect for the year ending 30 September 2025.

The following principal accounting policies have been applied:

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. All amounts are rounded to the nearest thousand pounds.

Principal activity

The principal activity of the Group and parent company is a leading producer of patented Chemical Vapour Deposition (CVD) coatings for the oil and gas industry, flow control equipment, advanced engineering and aerospace.

Going concern

The directors have adopted the going concern basis in preparing the financial statements after assessing the principal risks and considering the impact of various downside scenarios to the Group's base case financial plans, including latest sales expectations and profit margins for the period to March 2026.

The Board expects the Group to have sufficient financial and other resources to continue to operate as a going concern for the foreseeable future, but in reaching that conclusion the Board has undertaken a series of sensitivity analyses based on the Group not achieving its base case sales forecast.

Reverse stress testing suggests that, absent specific actions to reduce costs, working capital and capital expenditure, the Group may need to seek further funding only if revenues fell by more than 20% compared to forecast. Given to date the business is trading in line with management expectations, the Board considers this scenario to be unlikely.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Hardide plc and entities controlled by Hardide plc (its subsidiaries) made up to 30 September each year.

Control is achieved where Hardide plc has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions between and balances with Group companies are eliminated together with unrealised gains on inter-company transactions. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Acquisitions are accounted for by the purchase method. The cost of an acquisition is measured as the fair value at the date of exchange of the consideration provided plus any costs directly attributable to the acquisition. On acquisition, the assets and liabilities and contingent liabilities of the acquired business that meet the conditions for recognition under IFRS 3 are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit or loss in the period of acquisition.

Revenue recognition

Revenue represents the invoiced amount of goods sold and services provided during the period, excluding value added tax and other sales taxes, trade discounts, and intra-group sales. Revenue is recognised when performance has occurred and a right to consideration has been obtained. This is normally when goods have been despatched or services provided to the customer, title and risk of loss have been transferred and collection of related receivables is probable.

Revenue shown in the Statement of Comprehensive Income only relates to revenue recognised from contracts with customers, and no other sources of revenue are included. No impairment losses have been recognised to any receivable during the period.

Opening and closing balances of receivables from contracts with customers are shown in note 13. Hardide's performance obligations are satisfied upon despatch of goods from our premises. Hardide does not have any bill-and-hold arrangements with its customers. Our standard terms of payment are 30 days from date of invoice although for some customers, other terms have been agreed including End of Month Following, and 45 and 60 days from date of invoice. Contracts do not have financing components and consideration is not variable.

Hardide provides a coating service for components owned and provided by its customers, and also sells coated components it has sourced itself. Any component deemed by a customer as non-conforming can be returned for rework or, in the case of a Hardide-sourced component, replaced. Where neither of these are possible, a credit note is raised for the amount invoiced for the non-conforming product. Hardide does not provide any warranties or guarantees concerning the coating's performance, it is the responsibility of the customer to determine that the coating is suitable for and has been appropriately tested for its needs.

There are no remaining performance obligations to be disclosed. Performance obligations are satisfied in full upon delivery and revenue is recognised at that point. Our terms of business are ex-works in all cases, and delivery takes place when the goods are made available to the customer. Transaction price allocated to the performance obligation is fixed at the price specified in the customer purchase order and does not include any estimate for variable consideration, non-cash consideration or adjustment for the time value of money. Measurement of the obligation to rework or replace non-conformance is not included due to the rarity of such occurrences. There are no assets recognised from the costs of obtaining or fulfilling contracts with customers.

Research and development

Expenditure on research and development costs is charged to the income statement in the period in which it is incurred unless such costs should be capitalised under the requirements of the applicable standard, which is only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured.

Intangible assets: Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually.

Goodwill arising on acquisitions before the date of transition to IFRS (1 October 2006) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date and at least annually thereafter. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets: Other

Separable intangible assets are recognised separately from goodwill on all acquisitions after the date of transition, are initially measured at fair value and amortised over their useful economic lives. Purchased intangible assets are capitalised at cost and amortised over their useful economic lives. For computer software this is typically 4 years.

Impairment of intangible assets

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The recoverable amount of the cash-generating unit to which the goodwill relates is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Intangible assets other than goodwill are tested for impairment when a trigger event occurs. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. A reversal of an impairment loss is recognised as income immediately, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided on the cost of assets less any residual value over their estimated useful lives, using the straight line method, as follows:

Plant & machinery	2 to 15 years
Leasehold improvements	Over remaining term of lease
Fixtures & fittings	4 years
Computer equipment	4 years

Depreciation is not charged on assets under construction.

The carrying values of property, plant and equipment and investments measured using a cost basis, are reviewed for impairment only when events indicate the carrying value may be impaired.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Inventories

Inventories are valued at the lower of cost and net realisable value. The costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	Cost of purchase on a first in, first out basis.
Work in Progress and Finished goods	Cost of raw materials and direct labour and a proportion of manufacturing overheads based on the normal level of activity.

Net realisable value is based on the estimated selling price less estimated costs to completion and estimated costs necessary to make the sale. Inventory is regularly tested for obsolescence, any items so identified are written off to the P&L account. There is no general obsolescence provision.

Leases - IFRS 16

The Group leases property and other equipment for the purposes of its operations. Lease terms contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Until the 2019 financial year, leases were classified as an operating lease. From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from a lease are initially measured on a present value basis. The net present value of the lease liability includes the present value of the lease payments not made at the date of transition and lease payments made before the commencement date less any lease incentives received. The right-of-use asset is measured at this net present value of lease liability plus an estimate of the costs expected to be incurred in returning the leased property to its original condition. Lease payments to be made under reasonably certain extension options are included in the measurement of the liability.

The lease payments are discounted using the rate implicit in the lease agreement. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

Lease payments are allocated between their principal payments and the finance cost. The finance cost is charged to the Statement of Profit or Loss over the lease period.

Right-of-use assets are depreciated over the life of the lease on a straight line basis.

Short term leases with a lease term of less than 12 months or leases with low value assets are recognised on a straight line basis as an expense in the Statement of Comprehensive Income.

A sale and leaseback transaction is one where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. The assets are sold at fair market value, and accordingly the profit or loss from the sale is recognised immediately in the Statement of Comprehensive Income.

Financial instruments

The Group does not enter into hedging or speculative derivative contracts.

Financial assets and liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Income and expenditure arising on financial instruments is recognised on the accruals basis and credited or charged to the profit and loss account in the financial period to which it relates.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the income statement. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and short-term deposits with an original maturity period of approximately one hundred days or less.

Trade and other receivables and payables

Trade and other receivables are stated at amounts receivable less any provision for recoverability. Trade payables are stated at their nominal value.

Government grants

Government grants towards research and development and investment are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Foreign currencies

The Group's functional and presentation currency is Sterling. Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated at the rates of exchange ruling at that date. Gains and losses arising on translation are recognised in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into Sterling at the exchange rate at the date of the Statement of Financial Position. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and are transferred to the translation reserve. Exchange gains and losses arising on the translation of the Group's net investment in foreign entities are also classified as equity.

Share-based payments

The fair value of equity-settled share payments is determined at the date of grant and is recognised on a straight line basis over the vesting period based on the Group's estimate of options that will eventually vest. Fair value is measured by use of a Black-Scholes pricing model.

Retirement benefits

The Group operates a workplace pension scheme for its employees since November 2016 and makes the statutory minimum contributions to it.

Short-term employee benefit costs

The undiscounted amount of short-term benefits attributable to services that have been rendered in the period are recognised as an expense. Any difference between the amount of cost recognised and the cash payments made is treated as a liability or prepayment as appropriate.

Taxation

The charge for current tax is based on the results for the period as adjusted for items that are non-assessable or disallowed and is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Statement of Financial Position differs from its tax base. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. Deferred tax liabilities are recognised for taxable temporary differences. Such assets and liabilities are not recognised if the temporary difference arises from the amortisation of goodwill or the initial recognition of other assets and liabilities in a transaction that is not a business combination and affects neither the tax profit nor the accounting profit.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted at the Statement of Financial Position date and are expected to apply when the deferred tax assets or liabilities are settled or recovered. Deferred tax balances are not discounted.

Deferred tax is charged or credited in the income statement except where it relates to items charged or credited to equity, in which case the deferred tax is dealt with there. Research and Development Tax Credits are recognised on an accruals basis.

Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the Statement of Financial Position date. All borrowing costs are recognised in the income statement in the period in which they are incurred.

Provisions

Provisions are made when the Group has a present obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated. Provisions are discounted to present value where the impact is significant, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Critical accounting estimates and judgements:

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

(a) Property, plant and equipment represents a significant proportion of the asset base of the Group being 51% of the Group's total assets. The estimates and assumptions made to determine their carrying value and related depreciation are significant to the Group's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. No residual value is expected for any of the Group's assets and, apart from some items of high-value specialised equipment where the useful economic life is estimated to be 15 years, other plant and machinery is estimated to have between 2 and 10 years of useful life from the date of purchase or installation.

(b) Going concern basis including its effect on the impairment of assets. The Group monitors cash flow as part of its day to day control procedures and management consider cash flow projections on a monthly basis and also prepares detailed forward projections for future periods which also include various scenarios. As a consequence, the Directors are satisfied that the Group is able to maintain sufficient resources to continue in operation for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements. Were this not to be the case the carrying value of the Group's assets may have to be impaired.

(c) The implementation of IFRS 16 requires the Group to account for its leases as right-of-use assets over the life of the lease agreement. The present value of the lease liability on inception requires management to assess various factors including the discount rate and the life of the lease and the extent to which any options to extend or break the lease are exercised. These factors have a resulting impact in determining the present value of the lease liability on inception.

2. Segmental analysis

Under IFRS8, operating segments are defined as a component of the entity (a) that engages in business activities from which it may earn revenues and incur expenses (b) whose operating results are regularly reviewed and (c) for which discrete financial information is available. The Group management is organised in to UK and USA operation and Corporate central functions, and this factor identifies the Group's reportable segments.

Year ended 30 September 2023	UK operation £000		US operation £000		Corporate £000		Total £000	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
External revenue	**3,129**	3,154	**1,601**	2,345	**-**	-	**4,730**	5,499
Operating profit / (loss)	**(442)**	(776)	**296**	759	**(1,044)**	(1,014)	**(1,190)**	(1,031)
Segment assets	**5,779**	6,196	**1,754**	2,054	**219**	149	**7,752**	8,399
Expenditure for non-current assets	**25**	22	**23**	23	**-**	-	**48**	45
Segment liabilities	**2,686**	2,594	**1,188**	1,225	**219**	288	**4,093**	4,107

The Group currently has a single business product, so no secondary analysis is presented. Revenue from external customers is attributed according to their country of domicile. Turnover by geographical destination is as follows:

	UK £000	Europe £000	N America £000	Rest of World £000	Total £000
External sales					
2024	**2,096**	**159**	**2,033**	**442**	**4,730**
2023	1,938	95	3,396	70	5,499

The UK operation sells to the UK, Europe and some North American customers, while the US operation sells to North America and to the Far East. All revenue is recognised at a point in time and no revenue is recognised over time.

Four external customers (2023 – three) contributed more than 10% of the Group's continuing external sales for the year ended 30 September 2024. Together, these customers contributed 73% (2023: 68%) which have been recorded within both the UK and US operation reportable segments, excluding central costs.

3. Operating loss

This is stated after charging / (crediting):	**2024 £000**	2023 £000
Auditor's remuneration		
fees payable to the Company's current auditor for:		
- the audit of the Group's accounts	**40**	39
- tax compliance	**-**	8
Cost of inventory recognised as an expense	**1,181**	1,351
Research and development	**372**	424
Income from grants	**(198)**	(110)
Share option charge	**30**	24
Gain on sale and leaseback	**-**	(159)
Impairment of goodwill	**-**	69
Depreciation and amortisation - owned assets	**605**	677
- right of use assets	**218**	186
Exchange differences	**24**	38

Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") is a key financial performance indicator used by management to assess the operational performance of the Group.

	2024 £000	2023 £000
Operating loss	**(1,190)**	(1,031)
Restructuring costs	**399**	-
Add back non-cash other operating costs:		
Impairment of goodwill	**-**	69
Depreciation and amortisation of owned assets	**605**	677
Depreciation and amortisation of right of use assets	**218**	186
Adjusted EBITDA	**32**	(99)

Non-recurring restructuring costs of £399,000 were incurred in the year (2023: £Nil). These related to the refinancing of the company in February 2024, the transition to a new Chief Executive during the year and initiatives to significantly reduce the ongoing overhead base of the business.

4. Finance income

	2024 £000	2023 £000
Interest on bank deposits	**4**	3

5. Finance costs

	2024 £000	2023 £000
Interest on loans	**48**	59
Interest on right of use assets	**109**	106
	157	165

6. Employees

The average number of employees, including executive directors but not including non-executive directors, during the year comprised:

	2024	2023
Technical	**7**	12
Production	**22**	23
Sales and marketing	**3**	5
Management and administration	**6**	6
	38	46

Staff costs, including executive and non-executive directors, amounted to:

	2024 £000	2023 £000
Wages and salaries	**2,050**	2,481
Social security costs	**233**	261
Employer pension contributions	**39**	44
Share option expense	**(30)**	24
Restructuring costs	**354**	-
	2,646	2,810

Restructuring costs of £354,000 (2023: £Nil) comprising redundancy payments, payments in lieu of notice and double running people costs are included within the restructuring costs total of £399,000 referred to in note 3.

The Group contributes to defined contribution plans for employees. The assets of the scheme are held separately from those of the Group in independently administered funds. There were no amounts outstanding to be paid at the year end.

The directors are the Key Management Personnel of the Group. The remuneration of directors during the year is disclosed in the Remuneration and Nomination Committee's report, but in aggregate were as follows:

	2024 £000	2023 £000
Salary and fees	**622**	555
Other benefits	**11**	8
Pension	**13**	9
Bonus	**50**	-
Other	**50**	-
	746	572

7. Taxation

(a) Tax on ordinary activities:	**2024 £000**	2023 £000
UK Corporation Tax Credit	**(50)**	(76)
Adjustment in respect of prior years	**27**	1
	(23)	(75)
Deferred Tax		
Origination and reversal of timing differences	**-**	-
Adjustments in respect of prior periods	**-**	-
Effect of rate change on opening balance	**-**	-
Total tax (credit)	**(23)**	(75)

(b) Factors affecting current tax charge:

The tax assessed on the profit on ordinary activities for the year is lower than (2023: lower than) the effective rate of corporation tax in the UK of 25% (2023: 22%) as the UK companies are loss making.

	2024 £000	2023 £000
Loss on ordinary activities before taxation	**(1,343)**	(1,193)
Loss on ordinary activities by rate of tax	**(336)**	(262)
Effect of:		
Expenses not deductible for tax purposes	**-**	(299)
Deferred tax not recognised	**323**	597
Adjustment in respect of prior periods	**27**	1
Adjustment to opening / closing deferred tax	**-**	(72)
R&D enhanced expenditure	**(125)**	(138)
R&D surrendered	**88**	105
Non-taxable income	**-**	(19)
Other differences	**-**	12
Total current tax (note 7a)	**(23)**	(75)

The general principle in IAS 12 is that a deferred tax asset is recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. No deferred tax asset has been recognised in respect of these amounts due to the uncertainty over the extent of future taxable trading profits against which these losses would be offset.

8. Losses per share

	2024 £000	2023 £000
(Loss) on ordinary activities after tax	**(1,320)**	(1,118)

Basic earnings per ordinary share:

Weighted average number of ordinary shares in issue	**70,849,596**	58,901,959
Losses per share	**(1.9)p**	(1.9)p

As net losses were recorded in 2024 and 2023, the potentially dilutive share options are anti-dilutive for the purposes of the loss per share calculation and their effect is therefore not considered.

9. Goodwill

	2024 £000	2023 £000
Cost at 1 October and 30 September	**69**	69
Amortisation b/fwd	**69**	-
Impairment in the year	**-**	69
Amortisation c/fwd	**69**	69
Net book value at 1 October	**69**	69
Net book value at 30 September	**-**	-

10. Intangible assets

	2024 Computer software £000	2023 Computer software £000
Cost at 1 October	**79**	77
Additions	**2**	2
Transfers	**20**	-
Cost at 30 September	**101**	79
Amortisation b/fwd	**70**	58
Amortisation in the year	**12**	12
Transfers	**10**	-
Amortisation c/fwd	**92**	70
Net book value at 1 October	**9**	19
Net book value at 30 September	**9**	9

11. Property, plant and equipment

	Leasehold buildings £000	Plant, vehicles and fixtures £000	Computer equipment £000	Total £000
Cost at 1 October 2022	**1,591**	**8,348**	**150**	**10,089**
Additions	-	38	5	43
Exchange differences	(27)	(312)	(3)	(342)
Cost at 30 September 2023	**1,564**	**8,074**	**152**	**9,790**
Depreciation at 1 October 2022	**446**	**4,126**	**115**	**4,687**
Provided in the year	134	508	23	665
Exchange differences	(17)	(182)	(3)	(202)
Depreciation at 30 September 2023	**563**	**4,452**	**135**	**5,150**
Net book value at 1 October 2022	1,145	4,222	35	5,402
Net book value at 30 September 2023	**1,001**	**3,622**	**17**	**4,640**
Cost at 1 October 2023	**1,564**	**8,074**	**152**	**9,790**
Additions	-	43	3	46
Transfers	-	-	(20)	(20)
Exchange differences	(25)	(291)	(3)	(319)
Cost at 30 September 2024	**1,539**	**7,826**	**132**	**9,497**
Depreciation at 1 October 2023	**563**	**4,452**	**135**	**5,150**
Provided in the year	130	453	10	593
Transfers	-	-	(11)	(11)
Exchange differences	(17)	(194)	(3)	(214)
Depreciation at 30 September 2024	**676**	**4,711**	**131**	**5,518**
Net book value at 1 October 2023	1,001	3,622	17	4,640
Net book value at 30 September 2024	**863**	**3,115**	**1**	**3,979**

12. Right of use assets

	Buildings £000	Equipment £000	Vehicles £000	Total £000
Cost at 1 October 2022	**2,217**	**58**	**43**	**2,318**
Additions	332	-	46	378
Disposals	(322)	-	(19)	(341)
Exchange differences	(31)	-	-	(31)
Cost at 30 September 2023	**2,196**	**58**	**70**	**2,324**
Depreciation at 1 October 2022	**587**	**48**	**23**	**658**
Provided in the year	162	10	14	186
Disposals	(183)	-	(19)	(202)
Exchange differences	(15)	-	-	(15)
Depreciation at 30 September 2023	**551**	**58**	**18**	**627**
Net book value at 1 October 2022	1,630	10	20	1,660
Net book value at 30 September 2023	**1,645**	**-**	**52**	**1,697**
Cost at 1 October 2023	**2,196**	**58**	**70**	**2,324**
Additions	-	73	-	73
Disposals	-	(58)	-	(58)
Exchange differences	(29)	-	-	(29)
Cost at 30 September 2024	**2,167**	**73**	**70**	**2,310**
Depreciation at 1 October 2023	**551**	**58**	**18**	**627**
Provided in the year	161	38	19	218
Disposals	-	(58)	-	(58)
Exchange differences	(3)	-	-	(3)
Depreciation at 30 September 2024	**709**	**38**	**37**	**784**
Net book value at 1 October 2023	1,645	-	52	1,697
Net book value at 30 September 2024	**1,458**	**35**	**33**	**1,526**

13. Current assets

	2024 £000	2023 £000
Inventories		
Raw materials and consumables	**140**	187
Manufactured parts for resale	**26**	43
Work in progress	**1**	6
	167	236
Receivables		
Trade receivables	**977**	729
Other receivables	**3**	13
	980	742
Other current financial assets		
Prepayments	**247**	238
R&D tax receivable	**99**	75
Accrued income	**45**	22
	391	335
Cash and cash equivalents		
Sterling	**186**	271
US Dollar	**498**	469
Euro	**16**	-
	700	740
Total current assets	**2,238**	2,053

There is no general provision for bad debts. During the year, no specific trade receivables were classified as a doubtful or bad debt (2023: £Nil). Trade receivables are regularly reviewed for age and possible impairment. It is the directors' opinion that, as at the Statement of Financial Position date, no trade receivable required impairment. The ageing of trade receivables is as follows:

	2024 £000	2023 £000
Current	**628**	429
1 month	**347**	285
2 months	**1**	14
3 months	**1**	-
More than 3 months	**-**	1
Total trade receivables	**977**	729

A total of £349,000 (2023: £300,000) trade receivables are over 30 days old and therefore considered overdue to standard payment terms.

14. Current liabilities

	2024 £000	2023 £000
Trade payables	**537**	625
Taxation and social security costs	**57**	67
VAT payable	**7**	24
Accruals	**194**	203
	795	919
Loans	**235**	253
Deferred income	**393**	17
Right of use lease liability	**216**	182
Total current liabilities	**1,639**	1,371

15. Non-current other financial liabilities

	2024 £000	2023 £000
Loans	**479**	508
Deferred income	**50**	72
	529	580
Right of use lease liability	**1,875**	2,106

Loans

	2024 £000	2023 £000
Total loans	**714**	761
Maturity analysis:		
Within 1 year	**235**	253
1 to 2 years	**169**	212
2 to 3 years	**103**	144
3 to 4 years	**86**	76
4 to 5 years	**54**	57
5+ years	**67**	19

15. Non-current other financial liabilities (continued)

Right of use lease liabilities		
	2024 £000	2023 £000
Total lease liabilities	**2,091**	2,288
Maturity analysis:		
Within 1 year	**216**	182
1 to 2 years	**193**	192
2 to 3 years	**195**	196
3 to 4 years	**205**	199
4 to 5 years	**218**	208
5+ years	**1,064**	1,311

In 2019, the Group entered into a loan agreement with Martinsville Henry County Economic Development Corporation for a 5 year term loan of $240,000 (£195,000). The loan was secured against a reactor in the Martinsville factory and Hardide plc acted as guarantor. In March 2020, Martinsville Henry County Economic Development Corporation determined to forgive the entire remaining loan balance of $182,000 (£142,000) including, without limitation, principal, interest and any other sums due under the agreement. This grant is now being amortised as deferred income over the remaining useful life of the reactor.

In January 2021, the Group entered into a £250,000 Coronavirus Business Interruption Loan Scheme (CBILS) backed loan facility with Nucleus Cash Flow Finance Limited. The term is over 60 months at an interest rate of 11%. The first loan repayment instalment commenced in February 2022.

In March 2021, the Group also entered into a £250,000 Coronavirus Business Interruption Loan Scheme (CBILS) backed loan facility with Maven Capital Partners LLP. The term is over 48 months at an interest rate of 8%. The first loan repayment instalment commenced in March 2022.

On 19 January 2022, the Group entered into a $438,000 (£325,000) asset finance agreement with The American National Bank and Trust Company, Hardide Coatings Inc's US bankers. The term is over 60 months at an interest rate of 4%. The first loan repayment instalment commenced in February 2022.

On 16 May 2024, the Group entered into a $315,000 (£235,000) asset finance agreement with The American National Bank and Trust Company, a division of Atlantic Union Bank, Hardide Coatings Inc's US bankers. The term is over 60 months at an interest rate of 7%. The first loan repayment instalment commenced in June 2024.

16. Provisions

	Dilapidations £000
Provision at 1 October 2022	50
Provisions utilised	-
Provisions charged	-
Provision at 30 September 2023	**50**
Provision at 1 October 2023	50
Provisions utilised	-
Provisions charged	-
Provision at 30 September 2024	**50**

Maturity analysis:	**2024 £000**	2023 £000
5+ years	**50**	50
	50	50

17. Share capital

	2024		2023	
	Number 000	**Value £000**	Number 000	Value £000
Allotted ordinary shares of 4p each	**78,458**	**3,138**	58,902	2,356
Allotted deferred shares of 0.9p each	**189,642**	**1,707**	189,642	1,707

No employee share options were exercised during the year (2023: None).

A description of the Company's reserves is as follows:

Share capital - represents the nominal value of shares that have been issued.

Share premium account - includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Share-based payments - this comprises the share-based payments reserve, debited or credited with amounts charged to the profit and loss account or share premium account for share option awards.

Profit and loss account - includes all current and prior period retained profits and losses.

18. Share options

The number of share options at the beginning and end of the financial year, and the movements in the year, are as follows:

	Number	Weighted average exercise price
Outstanding at 30 September 2023	3,825,522	44.6p
Exercisable at 30 September 2023	314,550	55.4p
Granted during year	-	-
Exercised during year	-	-
Lapsed during year	2,050,069	46.6p
Outstanding at 30 September 2024	1,775,453	42.3p
Exercisable at 30 September 2024	218,750	56.1p

The current directors' interests in share options at the year end are as follows:

	Number	Weighted average exercise price
Yuri Zhuk (Technical Director)	677,016	46.5p
Simon Hallam (Finance Director)	600,000	30.0p

None of the directors exercised options during the year. Share options were issued to certain directors after the year end, and further details are set out in note 19.

The fair values of employee options granted are measured at date of grant by the use of a Black-Scholes pricing model, the assumptions used in the model vary depending on the date of grant and vesting period. Inputs include share price at date of grant, exercise price, historical volatility, the expected life of the option, and the risk-free interest rate. Expected volatility is calculated from the recent historical volatility of the share price. No other features are incorporated into the measurement of fair value.

All options have a maximum term of 10 years from date of grant and are settled with equity upon exercise. No options expired during the year. Vesting criteria are a mix of time-based and performance-based. The performance criteria are the market capitalisation or price per share of the Company, or Group profitability, or new business. At 30 September 2024 the weighted average remaining contractual life of all outstanding options was 5 years and 5 months (2023: 6 years and 6 months). Share options issued post 30 September 2024 are detailed in note 19 and in the Remuneration and Nomination Committee's report.

The charge to the income statement for share options during the year was £30,000 (2023: £24,000).

19. Post balance sheet events

On 18 December 2024, the Group announced that it had signed a 10 year supply agreement with a major customer in the Aerospace sector for the coating of cargo door components. Customer funded equipment modifications are largely due to be completed in the first half of the new financial year. These, together with subsequent tooling and initial production volumes, are expected to benefit the current financial year revenues by approximately £0.5m and future revenues by c.£6-£8m over the life of the agreement.

On 27 December 2024, the Group awarded the following Options to Directors:

Name	Position	Number of Options	Type of option	Conditions
Matt Hamblin	CEO	1,000,000	Restricted shares	Minimum 3-year tenure in role
		2,300,000	Performance shares	Financial performance
Simon Hallam	Finance Director	655,200	Performance shares	Financial performance
Yuri Zhuk	Technical Director	776,412	Performance shares	Financial performance

The Options set out above are issued pursuant to the Hardide plc 2016 EMI option scheme and have an exercise price of 5.71p per share, being the 5-VWAP for the 5 business days preceding the date of the award.

Also on 27 December 2024, the Group issued 355,240 shares to satisfy a previously contracted bonus award to Sketchley GmBH, a company owned by Steve Paul, who served as the Company's interim CEO for the period February to May 2024.

20. Related Party Transactions

There were no related party transactions to report with either directors or key management other than those disclosed in note 6 and note 19.

21. Financial Instruments – Risk Management

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. The Group's principal financial instruments are financial assets comprising trade and other receivables (excluding prepayments) and cash balances; and financial liabilities comprising trade payables as disclosed in notes 13 and 14. These are all measured at fair value with changes in carrying amount charged or credited to the Income Statement, with the exception of borrowings which are measured at amortised cost.

Exposure to credit, liquidity, currency and interest rate risks arises in the normal course of the Group's business. The Group does not enter into derivative financial instruments.

Credit risk

The Group's credit risk is primarily attributable to its credit sales. The Group has significant concentration of sales to a few key customers, however, since the ultimate customers for the Group's products are predominantly blue-chip multinational companies, the board believes that this is not a significant risk. Credit risk also arises from cash and deposits with banks. These risks are reviewed regularly by the board, in particular the ageing of trade receivables and the amount of cash on deposit with various institutions. As at 30 September 2024 the Group had trade receivables and other receivables of £980,000 (2023: £742,000) and cash deposits of £700,000 (2023: £740,000).

The Group does not consider the risk of credit losses to be material.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The interest rate exposure of the Group as at 30 September 2024 and the maturity profile of the carrying value of the Group's financial liabilities are shown in note 15. All financial liabilities will be settled within six months unless stated in notes 15 and 16. The Group's policy is to ensure that it has sufficient cash to allow it to meet its liabilities. This risk is monitored by the board which receives forecast cash flows on a monthly basis, an annual budget and quarterly revenue and cost forecasts. The Group currently has no bank credit facility.

Currency risk

The Group is exposed to translation and transaction foreign exchange risk arising because the Group has operations in more than one country. As such, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains or losses on retranslation into sterling.

Foreign exchange risks arise when Group companies enter into transactions denominated in a currency other than their functional currency. Movements in exchange rates also affect the value of the Group's foreign currency cash balances in the UK. Exchange rate movements during the year resulted in a loss of £24,000 (2023: £38,000).

Interest rate risk

Interest rate risk arises on borrowings and cash balances which are at floating interest rates. Changes in rates could have the effect of either increasing or decreasing the Group's net profit. The major risk is to UK rates and there is no exposure to rates in the USA or Europe.

As at 30 September 2024, the Group had no floating rate borrowings, but all its cash deposits were in floating rate accounts.

Parent Company Statement of Financial Position

For Hardide plc, company registered number 05344714 at 30 September 2024

	Note	2024 £000	2023 £000
Assets			
Non-current assets			
Investments	3	**1,268**	1,272
Total non-current assets		**1,268**	1,272
Current assets			
Trade and other receivables	5	**192**	161
Cash and cash equivalents		**40**	15
Total current assets		**232**	176
Total assets		**1,500**	1,448
Liabilities			
Current liabilities			
Trade and other payables	6	**138**	143
Financial liabilities	6	**63**	63
Total current liabilities		**201**	206
Net current assets / (liabilities)		**31**	(30)
Non-current liabilities			
Financial liabilities	7	**31**	94
Total non-current liabilities		**31**	94
Total liabilities		**232**	300
Net assets		**1,268**	1,148
Equity			
Share capital	8	**4,845**	4,063
Share premium		**19,188**	19,242
Retained earnings		**(23,372)**	(22,734)
Share-based payments reserve		**607**	577
Total equity		**1,268**	1,148

Under section 408 of the Companies Act 2006 the company has not included its own profit and loss account in these financial statements. The parent company's loss for the year was £638,000 (2023: £354,000).

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

The financial statements were approved and authorised for issue by the Board on 28 January 2025.

Matthew Hamblin
Director

Simon Hallam
Director

Parent Company Statement of Changes in Equity

For the year ended 30 September 2024

	Share Capital £000	Share Premium £000	Share-based Payments £000	Retained Earnings £000	Total Equity £000
At 1 October 2022	4,063	19,242	553	(22,380)	1,478
Share options	-	-	24	-	24
Loss for the year	-	-	-	(354)	(354)
At 30 September 2023	4,063	19,242	577	(22,734)	1,148
At 1 October 2023	**4,063**	**19,242**	**577**	**(22,734)**	**1,148**
Issue of new shares	782	98	-	-	880
Share issue costs	-	(152)	-	-	(152)
Share options	-	-	30	-	30
Loss for the year	-	-	-	(638)	(638)
At 30 September 2024	**4,845**	**19,188**	**607**	**(23,372)**	**1,268**

Notes to the Parent Company Financial Statements and Principal Accounting Policies

1. Principal Accounting Policies

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The following principal accounting policies have been applied:

Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

This information is included in the consolidated financial statements of Hardide Plc as at 30 September 2024 on pages 48 to 68.

2. Employees

The average number of employees, including executive directors but excluding non-executive directors, during the year comprised:

	2024 Number	2023 Number
Management and admin	**2**	2
Sales and marketing	**1**	1
Technical	**4**	4
	7	7

Staff costs, including executive and non-executive directors, during the year amounted to:

	2024 £000	2023 £000
Wages and salaries	**856**	744
Social security costs	**90**	88
Employer pension costs	**18**	15
Share option charge	**34**	21
	998	868

Details of individual directors’ remuneration are included in the Nomination and Remuneration Committee report.

3. Investments

	2024 £000	2023 £000
Investments in subsidiaries	**1,268**	1,272

At 30 September 2024 the company held 100% of the share capital of the following subsidiaries:

	Class of share	Amount	Country	Nature of business
Hardide Coatings Limited	Ordinary	100%	UK	Surface engineering
Hardide Coatings, Inc	Ordinary	100%	USA	Surface engineering
Hardide Aerospace Coatings Limited	Ordinary	100%	UK	Dormant company

4. Amounts owed by group undertakings

The amounts owed by Hardide Coatings Inc. amounting to £8,722,000 (2023: £10,023,000) has been classified as a non-current asset. A provision has been made for the full amount owed.

5. Trade and other receivables

	2024 £000	2023 £000
Prepayments and accrued income	**81**	59
VAT receivable	**12**	27
R&D tax receivable	**99**	75
	192	161

6. Current liabilities

	2024 £000	2023 £000
Trade payables	**22**	67
Social security and other taxes	**31**	30
Accruals and deferred income	**85**	46
	138	143
Loans	**63**	63
Total current liabilities	**201**	206

7. Non-current other financial liabilities

	2024 £000	2023 £000
Loans	**31**	94

On 17 March 2021, the company entered into a £250,000 Coronavirus Business Interruption Loan Scheme (CBILS) backed loan facility with Maven Capital Partners LLP. The term is over 48 months at an interest rate of 8%. The first loan repayment instalment commenced in March 2022.

8. Share capital

	2024		2023	
	Number 000	**Value £000**	Number 000	Value £000
Allotted ordinary shares of 4p each	**78,458**	**3,138**	58,902	2,356
Allotted deferred shares of 0.9p each	**189,642**	**1,707**	189,642	1,707

Details of the movement in share capital can be found in note 17 to the Group financial statements.

Directors and Advisers

Directors

A Magson
M R Hamblin
S A Hallam
Y N Zhuk
A R Boyce
B W Allcock

Secretary
S A Hallam

Auditor

James Cowper Kreston Audit
2 Chawley Park
Cumnor Hill
Oxford
OX2 9GG

Banker

Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

Broker and Nominated Adviser

Cavendish Capital Markets Limited
One Bartholomew Close
London
EC1A 7BL

Lawyer

Blake Morgan LLP
New Kings Court
Tollgate, Chandler's Ford
Eastleigh,
Hampshire
SO53 3LG

Registrar

Share Registrars Limited
3 The Millennium Centre
Crosby Way
Farnham
Surrey
GU9 7XX

Patent Agent

HGF Limited
1 City Walk
Leeds
LS11 9DX

Registered Office and Principal Place of Business

Hardide plc
9 Longlands Road
Bicester
Oxfordshire
OX26 5AH

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