

FOR IMMEDIATE RELEASE

24 April 2025

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.



PENNANT INTERNATIONAL GROUP PLC

("Pennant", the "Company", or the "Group")

2024 Final Results

Analyst Briefing & Investor Presentation

Pennant repositioned for growth through Auxilium Software

Pennant International Group plc (AIM: PEN), the systems support software and training solutions company, announces its final results for the year ended 31 December 2024 ("FY24" or the "Period").

Commenting on the Period, Chairman, Ian Dighé, said:

"It is no understatement to say this has been a truly transformational year for Pennant; one that positions the Company strongly for years to come. The Board has made several difficult but important decisions that have left Pennant a leaner, stronger and more focused Group - ready to meet the needs of its global customer base.

"Investment into Auxilium has delivered a powerful, standards-aligned software solution to meet fast growing data and complexity challenges in defence, aviation, and rail, while Pennant's established expertise and strong industry ties gives blue chip customers the confidence to trust in its products and services."

Financial:

- Group revenues of £13.8 million (2023: £15.5 million) with stable software & services contributions;
- Gross profit margin of 50% (2023: 50%);
- Adjusted⁽¹⁾ EBITA of £1.2 million (2023: £1.8 million);
- Adjusted⁽¹⁾ loss before tax of £0.3 million (2023: profit £0.6 million);
- Unrelieved tax losses carried forward of £7.0 million (2023: £6.8 million);
- Group net assets at year-end of £8.3 million (2023: £9.8 million);
- Net debt at year-end of £2.3 million (2023: £1.9 million) reflecting further investment in Auxilium;
- No final dividend recommended (2023: £NIL).

⁽¹⁾Adjusted to exclude exceptional costs of £2.3 million (restructuring and aborted acquisition costs), £0.1 million of shared based payment expense, £0.2 million gain on disposal of land & buildings, and £0.5m of acquired intangible asset amortisation.

Operational:

- Pennant repositioned to grow its Software and Technical Services segments, providing more predictable revenue streams, higher margins, and greater scalability with shorter working capital cycles;
- Training Systems business streamlined;
- Continued investment in Pennant's proven IPS software suite;
- Significant strengthening of the Board;
- Successful completion of UK Apache contract with total contract value reaching £9.2 million.

Post Period end:

- Solid start to 2025 with trading on track to meet market expectations;
- Release of Auxilium version 3.0 which advances the integration of GenS, Analyzer and R4i into one holistic solution - Q1 license sales on target;
- Property disposal programme - £2.0 million, net of fees, raised through sale (subject to completion) of commercial units used by the Group's Training Division, and continued marketing of two further freehold sites. Proceeds will reduce the Group's borrowings;
- Formal negotiation commenced for award of GenFly technology upgrade contract, expected to be worth c. £4.9m.

Commenting on the results and outlook, Chief Executive Officer, Phil Walker, added:

"We are pleased to have delivered these results while having successfully reshaped the business, in line with our revised strategy. The UK strategic defence review created unpredictability within our training systems pipeline, which was already impacted by an elongation of customer procurement timeframes. This ultimately accelerated our restructuring plan which is reflected in the results for the Period. We began FY25 with a focused strategy, realigned structure, and strengthened balance sheet, providing an excellent platform for growth.

"With the latest release of Auxilium on 31st March 2025 providing additional integrated capability, our focus turns to delivery of both our go-to-market strategy and excellent customer experience. We are currently presented with a favourable geopolitical backdrop and expect to deliver growth in margin and recurring software revenues as we progress."

Analyst Briefing: 9.30am on Thursday 24 April 2025

An online briefing for Analysts will be hosted by Phil Walker, Chief Executive Officer, and Darren Wiggins, Chief Financial Officer, at 9.30am on Thursday 24 April 2025 to review the results and give a business update. Analysts wishing to attend should contact Walbrook PR on Pennant@walbrookpr.com or 020 7933 8780.

Investor Presentation: 11.00am on Friday 25 April 2025

Management will also hold an investor presentation to cover the results and business update at 11.00am on Friday 25 April 2025.

The presentation will be hosted through the digital platform Investor Meet Company. Investors can sign up to Investor Meet Company and add to meet Pennant via the following link <https://www.investormeetcompany.com/pennant-international-group-plc/register-investor>. For those investors who have already registered and added to meet the Company, they will automatically be invited.

Questions can be submitted pre-event to Pennant@walbrookpr.com or in real time during the presentation via the "Ask a Question" function.

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Notes to editors:

Pennant International Group plc (AIM: PEN) is a technology driven, leading global provider of system support software and services, technical services, and training solutions. It supports its global customer base in the design, development, operation, maintenance, and training of complex assets, to maximise operational and maintenance efficiency.

Its key markets include Aerospace, Defence and Rail, and adjacent safety-critical markets such as Shipping, Nuclear and Space.

The Group addresses the market through three key divisions:

- **Systems Support Software⁽¹⁾**: a key generator of recurring revenues through the provision of a suite of software tools designed to help clients: manage and use complex data; ensure equipment availability at optimal cost; and comply with industry standards. Its Integrated Product Support (IPS) and Integrated Logistics Support (ILS) software and services equips customers with powerful market-leading toolsets to manage, model and utilise complex equipment data.
- **Technical Services⁽¹⁾**: drives repeatable revenues through expert support for users of Pennant and third-party solutions including consultancy, support and maintenance, training and bespoke development.
- **Training Systems**: project-based revenues relating to the design and build of hardware, software and virtual training solutions for maintainers and operators of aircraft, ships and land systems. Focused on modifications, upgrades and retrofits following the restructuring undertaken in 2024.

(1) As detailed in the Chief Finance Officer's review, Systems Support Software and Technical Services comprise one cash generating unit ("CGU")

Pennant is strategically focused on sustainable recurring and repeatable revenues and profitability growth, shifting its model towards high margin software and services. Against a climate of rising defence budgets and the burgeoning technological complexity of military, aviation and rail platforms, the demand for these solutions is expected to grow substantially.

Headquartered in Cheltenham, UK, the Group operates worldwide, with offices in Europe, North America and Asia-Pacific, serving markets with high barriers to entry often in regulated industries.

CHAIR'S STATEMENT

Ready to seize the Global opportunity

I'm pleased to present my first full year annual report and accounts since being appointed Chair of Pennant International Group plc. During the Period, Pennant has continued its transformation into an increasingly software driven, scalable business with an improved financial and operating structure. This successful change positions Pennant with market leading products in a global market, a streamlined structure, and a focused go-to-market strategy.

Strategy

Pennant is focused on generating sustainable recurring revenues and profitability growth, shifting its model towards high-margin software and services with greater visibility. First and foremost, it is expanding its market coverage through the development of the Group's market-leading proprietary software suite - Auxilium - and higher value technical services.

The Group continues to seek other strategic opportunities to partner with or acquire complementary businesses which could accelerate the growth strategy.

Key Financials

For the year ended 31 December 2024, the Group recorded consolidated revenues of £13.8 million (2023: £15.5 million), again underpinned by the Group's contracted revenue base.

The Group has maintained its gross margin for 2024 at 50% (2023: 50%) supporting the continuing strategic shift towards software and higher value services. As a result, the Group posted a consolidated adjusted EBITA profit of £1.2 million (2023: £1.8 million), which is in line with market expectations.

The Group's net debt at the year-end was £2.3 million (2023: net debt of £1.9 million) which reflects, amongst other things, the continued investment in the integrated software suite, acquisition related expenses, and expenses related to aborted corporate activity. Post Period end, the Company realized, subject to contract, a total of £2.0 million in cash proceeds, net of fees, through property disposals pursuant to the restructuring, strengthening the balance sheet.

These results reflect the costs and operational challenges of the restructuring. The restructuring is expected to enable greater returns going forward through improved working capital cycles and the inherent operational gearing within the business.

With structural foundations successfully laid by the new Board, we expect to fundamentally strengthen the Group's balance sheet in the coming Periods.

Dividend

The Directors believe that it continues to be both prudent, and in the Company's and shareholders' best interests, to retain cash for working capital and concentrate resources on execution of the current growth opportunities.

The Board will therefore not be recommending the payment of a final dividend for the year ended 31 December 2024.

Our People

It has been a year of progress and change for the Company, and I would like to thank all employees for their efforts in engineering that success. The resilience, flexibility and ability they have shown has underpinned the transformation I've detailed, and leaves Pennant in a strong position, ready to meet the needs of its markets. Supporting and motivating our workforce through appropriate incentives to ensure they continue to deliver for Pennant's customers remains a priority for the Board.

Our Culture

The Board is dedicated to making sure that every employee across the Group understands and lives by Pennant's 'Core Values'. These values are at the heart of everything the Group does. They are also essential in shaping how we approach our policies, whether driven by legal requirements (such as anti-bribery or anti-counterfeiting laws) or by our ethical principles (fair treatment and equality of opportunity), treating all individuals with the respect they deserve regardless of their position. This requires strong leadership at all levels.

Governance

The Board is also committed to upholding its track record of robust corporate governance. Working closely with its advisors, it monitors governance frameworks to ensure strong, proportionate governance throughout the Group; this is important given the number of geographies in which we are present. The Board has established appropriate risk management procedures and keeps key risks to the Group under regular, rigorous review. Further details of the Group's principal risks and uncertainties are provided in the Principal Risks and Uncertainties section of the Annual Report.

Board Changes

During the Period there were a number of Board changes.

I joined the Group as a Non-Executive Director and Chair designate with effect from 7 February 2024.

I assumed the role of Chair on 14 May 2024 on Phil Cotton announcing his intention to relinquish the Chair and to retire as Non-Executive Director following the Company's Annual General Meeting on July 17th 2024.

In July 2024, the Group announced the appointment of Jon Kempster as Non-Executive Director and Chair of the Audit & Risk Committee with effect from 18 July 2024.

Also, in September 2024, the Group announced the appointment of Klaas Van Der Leest as Non-Executive Director with effect from 3 September 2024.

On 13 August 2024, Michael Brinson, Chief Financial Officer, resigned to pursue other opportunities and stepped

down as Director with immediate effect.

We were delighted to appoint Darren Wiggins to the Board as Group Chief Financial Officer with effect from 9 November 2024 following a period as Interim from September 2024.

Finally, Deborah Wilkinson has confirmed that she does not intend to stand for re-election at the 2025 AGM and will retire as a director on that date. I am particularly grateful for her support when, on joining the board in February 2024, I was asked to take the Chair at short notice. Deborah's support and contribution in the transition phase of Pennant has been appreciated by both the board and executive and we all wish her well in her future endeavours.

Following this period of changes, I am highly confident that both the Board structure and wider staff resourcing are ideally positioned for the next stage of Pennant's growth.

Further details on the Board members can be found in the Governance & Risks section of the Annual Report and Accounts.

Current Trading and Outlook

The strategic investment in the Auxilium software suite brings to market a leading software solution aligned to addressing the challenges that operators face in managing, modelling and utilising vast amounts of complex systems data, whilst ensuring alignment to international standards and specifications, and enabling intelligent data-driven decisions.

Against a climate of rising defence budgets, evolving governance requirements and the burgeoning technological complexity of military, aviation and rail platforms, Pennant's unique integrated software capability offers defence forces, organisations and OEMs the solutions needed to address these challenges; and demand for these solutions is expected to grow substantially.

The Board believes that the launch of the Auxilium product suite, coupled with the Group's underlying strengths - our long-term customer relationships with governments and major OEMs, our specialist services, together with our quality-assured reputation - will provide significant opportunities that we are well positioned to pursue.

We have made a solid start to 2025 and the Board is pleased with the buoyant bid activity to date which should set us up for success in the current year and beyond. The board is confident that the trading remains on track with market expectations.

Ian Dighé
Chair

CHIEF EXECUTIVE'S REVIEW

Pennant has repositioned

In 2024 we have successfully implemented the first stages of the Group's strategic plan to shift towards a highly scalable software and technical services model.

Pennant has continued to invest in its integrated software suite and has taken decisive action to reposition the Group and accelerate the implementation of our growth strategy. The impact of these changes is already visible in our financial performance, with the Group meeting the market's expectations for the full year.

Restructuring of Training Systems

Significant steps have been taken to streamline Pennant's legacy Training Systems business segment and focus investment and resources on the growth of its Software and Technical Services segments which provide more predictable revenue streams, higher margins, greater scalability, and have a shorter working capital cycle.

The workforce restructuring programme, as announced on 23 September 2024, has been completed, with a headcount reduction of 29 roles achieved. Four commercial units at the Staverton site have also been sold subject to legal completion for consideration totaling £2.0 million net of disposal fees, with marketing of the remainder of the site ongoing.

The Training Systems business is now focused on delivering modifications, retrofits and overhauls to its installed

base, and has an active pipeline of such opportunities.

The Group, from 2025, has three business segments - Systems Support Software; Technical Services; and, Training Systems - delivered through its three core regions - EMEA, Americas and Asia Pacific and for financial reporting purposes presented as two cash generating units ("CGUs") - Software & Services and Training Systems.

Auxilium Software

In line with the Group's strategic objectives, Pennant has sought to grow its software capability, and has invested c. £1.4m during the Period to significantly improve the overall customer proposition and expand its offering.

The programme has now moved to its next phase which will see all three of the Group's software applications - GenS, Analyzer and R4i - integrated into one, holistic solution - Auxilium.

Auxilium is designed to provide customers with a powerful market-leading toolset that allows users to manage, model and utilise vast amounts of complex systems data.

The investment into the Auxilium suite underpins Pennant's efforts to increase revenue from software, higher value technical services and secure recurring contracts.

We believe Auxilium is the only fully integrated product support tool available that combines the breadth of capability on offer with the level of security that is expected and required in the Group's end markets.

Moreover, Pennant has a 25-year track record of developing and supporting trusted software products for blue chip customers in the defence sector. With high barriers to entry in these markets, Pennant can cite an exemplary record of delivering and updating applications for existing and new customers on a flexible, subscription basis.

Having reached version 3.0 of Auxilium in April 2024, a further integrated release went live on 31 March 2025 ahead of a fully integrated release scheduled for later in 2025.

Regional Operational Model

During the Period, the Group implemented a new regional operational structure with roles redesigned to better align with its strategy and ensuring that a single person has responsibility, authority and accountability for key business functions.

The three segments provide a number of strategic benefits, including the ability to provide enhanced customer experience with operational support teams deployed in each region.

The table below highlights Pennant's regional revenue for 2023 and 2024.

	Regional revenue	
	2024	2023
	£000s	£000s
EMEA	7,351	8,821
Americas	2,743	4,051
Asia Pacific	3,681	2,663
Total	13,775	15,535

Europe, Middle East & Africa (EMEA)

Revenue generated in the EMEA region declined to £7.4 million (2023: £8.8 million). The revenue was underpinned by existing UK training systems contracts with Boeing Defence, and UK technical services contracts with HMRC and rail operators.

As detailed in the Interim results on 23 September 2024, the Group had been engaged in significant bid activity during H1 2024, although increasingly protracted procurement timeframes were identified as a risk.

This challenge and the announcement of the Strategic Defence Review in the UK resulted in contract awards being deferred pending the outcome of the review (expected mid-2025), and this includes prospective programmes for which Pennant is a potential supplier.

In light of this situation, management undertook a comprehensive review of the UK training systems business (as outlined above) and determined a decisive plan to reshape it to reflect the much-reduced workflow while retaining the skills, intellectual property and know-how to enable the delivery of future programmes, training software and associated services contracts in the UK and overseas.

Americas

The North America business saw revenues decline to £2.7 million from £4.1 million in 2023. This was driven by

Government mandated procurement changes in respect of Pennant's long-term contract with the Canadian Department of National Defence. After 23 years of single-source procurement, the contracting mechanism for the various tasks under the framework contract was changed to a competitive tender process per each individual task.

During 2024, Pennant has successfully tendered and secured all tasks for which we have recompeted which account for approximately 60% of historic annual recurring revenues. Pennant will continue to tender for further opportunities as they are released to market as the region looks to restore the level and long-term visibility of revenues that the legacy contract provided.

Asia-Pacific

The Asia-Pacific business enjoyed a good year with resultant revenues increasing from £2.7 million to £3.7 million having secured Technical Services contracts to support the utilisation of Pennants technical publication and authoring software which continued to perform well and were extended for a further year.

Operationally, Pennant's existing long term technical services contract in Wagga Wagga continued to perform well and was extended into 2027 (year 14 of a 20 year framework).

Strategic Priorities

With the launch of Auxilium on 31 March 2025, the focus of our investment programme will move to development and delivery of the go to market strategy by expanding reseller, agent and partnership relationships globally to extend market channels into new territories.

This also includes enhancing support software functionality, including upgrades to the support portal and customer tools to ensure an excellent customer experience.

This investment continues the strategy to drive higher margin, recurring software revenues and higher value technical services, which when aligned with a favourable market backdrop provide a firm platform for continued progress in the current year.

P H Walker
Director

CHIEF FINANCIAL OFFICER'S REVIEW

The Pennant Group consists of two CGUs:

- Software & Services which comprises of our Systems Support Software and Technical Services operations and,
- Training Systems comprising of our highly engineered Training hardware operations.

During 2024 a restructuring exercise was undertaken to better align the Training Systems segment with current market conditions as a response to a hiatus in demand from the UK MoD and to focus on winning and delivering aftermarket service contracts - i.e. modifying, retrofitting and upgrading existing Pennant original equipment. The statutory financial performance of the Group has been materially impacted by the restructuring including the classification of certain UK properties as 'held for sale' current assets in accordance with IFRS 5. Where appropriate, reconciliations of statutory to 'adjusted' income statement performance have been provided to aid understanding of our recurring trade and operations.

The Training Systems restructuring exercise led to the reduction in global workforce from 140 at the end of 2023 to 121 at the end of 2024, with a cash cost of the reduction exercise of £0.4 million. The total restructuring expense recognised in the Group income statement of £2.1 million includes £1.6 million of non-cash costs which are outlined later in my review. The estimated annualised cost savings resulting from the restructuring exercise are £2.0 million, comprising staff costs, facility costs, and depreciation and amortisation.

As part of the restructuring exercise, certain UK based facilities within Training System were marketed for sale in the second half of 2024 at a total fair value of £2.9m after estimated selling costs. At the time of releasing these financial statements, £2 million of net sales proceeds had been contracted the details of which are recorded as a post balance sheet event in the notes to the Group accounts. This will be used to reduce the Group's borrowings.

The difficult decisions taken by the Board of Directors have strengthened the balance sheet and improved cost efficiencies thus setting the Group up for success in the future.

Financial review

The results and a review of the key financial performance indicators of revenue and profitability are set out below.

Performance

Group revenue of £13.8m represents an 11% year over year reduction (2023: £15.5m).

During the year, we successfully completed the delivery to program milestones under a 3-year contract with Boeing Defence UK for updates to AH Mk1 Apache training equipment ("Apache"). Revenue recognised, in the Training Systems segment, from the Apache contract in the year was £3.5m (2023: £5.2m).

The gross profit margin for the year of 50% (2023: 50%), representing another record margin year for the Group which benefitted from the profitable completion of the Apache program as well as the continued strategic shift of the Group towards software-related products and higher value services.

Administrative costs were held flat at £7.0 million (2023: £6.9 million) after adjusting items of £2.2 million comprising exceptional costs (£2.3 million), share based payment expense (£0.1 million) and gains on disposal of assets (£0.2 million) - see the reconciliation of statutory results to adjusted results below.

The improved margins coupled with the controlled cost base, resulted in an adjusted EBITA of £1.2 million (2023: £1.8 million) and an adjusted loss before tax of £0.3 million (2023: profit £0.6 million).

The statutory loss before tax for the year of £3.0 million (2023: loss £0.4 million) includes £2.3 million of exceptional costs (2023: £0.3 million) and £1.6 million of intangible asset amortisation (£1.3 million). The 'adjusted' income statement performance excludes exceptional items (including share based payment charges and gains on disposal of land & buildings), as well as acquired intangible amortisation, and has been presented to aid understanding of our recurring trade and operations.

Adjusted numbers

£m	2024 Statutory	Acquired Intangible Amortisation	Adjusted Items ⁽¹⁾	2024 Adjusted	2023
Revenue	13.8		-	13.8	15.5
Gross profit	6.9		-	6.9	7.7
Gross profit %	50%			50%	50%
Other income	0.2		-	0.2	0.2
Admin costs	(9.7)	0.5	2.2	(7.0)	(6.9)
Operating profit / (loss)	(2.6)	0.5	2.2	0.1	1.0
Amortisation (excluding acquired intangibles)	1.6	(0.5)	-	1.1	0.8
EBITA	(1.0)	-	2.2	1.2	1.8
Depreciation	0.5		-	0.5	0.5
EBITDA	(0.5)	-	2.2	1.7	2.3

(1) Adjusted Items comprise exceptional costs £2.3 million, £0.1 million of shared based payment expense, and a £0.2 million gain on disposal of land & buildings (all recognised within administrative expenses).

Reconciliation of statutory results to adjusted results

A reconciliation of statutory EBITA to adjusted EBITA is as follows:

£000s

EBITA (reported loss)	(958)
Restructuring expense	2,105
Aborted transaction costs	218
Share based payments	70
Profit on sale of land & buildings	(231)
Adjusted EBITA (at 31 December 2024)	1,204

Adjusting items to statutory operating loss in the year are consistent with prior years and include:

- Costs associated with the restructuring of the Training Systems division in the year totaling £2.1 million (2023: £nil). These are shown as adjusting items due to their size and non-trading nature and included:
 - The impairment of capitalised development costs (classified as intangible fixed assets) totaling £0.8 million relating to legacy Training Systems programs
 - Cash costs of staff redundancies totaling £0.4 million due to the downsizing of the Training Systems workforce
 - Impairment of fixtures, fittings and equipment totaling £0.3 million related to the downsizing and disposal of the Training Systems operating facilities in Cheltenham, UK
 - Write down of inventory to the lower of cost and NRV totaling £0.4m relating to assets specific to legacy Training Systems programs
 - Professional fees relating to the restructuring exercise totaling £0.1 million
- Gains on sale of land & buildings (unrelated to the restructuring exercise) totaling £0.2 million
- Transaction costs from an aborted corporate acquisition exercise undertaken in H1 totaling £0.2 million
- An expense of £0.1 million in accordance with IFRS 2 and associated with outstanding employee share option awards

Revenue analysis

An analysis of the Group's revenue by operating segment and CGU is as follows:

	2024 £000s	2023 £000s
Software licences and products	397	1,111
Software maintenance	1,893	1,589
Technical services	7,276	6,873
Sub-total Software and Services	9,566	9,573
Engineered solutions	3,554	5,229
Generic products	655	733
Sub-total Training Solutions	4,209	5,962
Total Group Revenue	13,775	15,535

Revenues contributed by the Software and Services CGU remained flat at £9.6 million year over year and represented 69% of the total revenue for the period (2023: 62%). The stability from repeatable contract work within the Technical Services segment drives the opportunity to benefit from inflationary increases while in the Software segment the pleasing increase in recurring maintenance revenues is tempered by the lower sales of software product licenses which we attribute to a delay in the purchasing decisions of our customers until the launch of the integrated Auxilium suite in 2025.

The reduction in Training Solutions revenue is explained by the successful completion of the Apache program discussed above.

Software and Services

Software licences & products

The software product sales in 2024 continued to be predominantly driven by R4i software sales, with the associated recurring maintenance revenues to follow on a recurring basis. Revenues, where perpetual licenses are sold, are

recognised upon installation of the software and tend to be non-recurring in nature. Where products are sold on a subscription basis revenues are recognised over the duration of the subscription period for each customer.

Software maintenance

Software maintenance revenues are recurring by nature and are growing year on year, driven by the growth in the global customer base for the Group's software solutions. The revenue is recognised over the duration of the maintenance period for each customer which can range from annual renewals to multi-year agreements. The software is used to support the lifecycle of complex assets which can span decades.

Technical services

The largely repeatable technical services revenue stream has increased from 44% of the Group's revenues in 2023 to 53% in 2024 as contracts and relationships mature. The revenues are typically recognised on a consumption of benefit basis over time.

Training Solutions

Engineered solutions

In line with management expectations, revenues associated with engineered solutions have decreased from £5.2 million in 2023 to £3.6 million in 2024. This is reflective of the operational stage of completion on the programmes which form the basis of this revenue stream which is recognised over time under IFRS 15. During the year, there was less work performed under contractual milestones within the Apache contract, for which the delivery across a 3-year period was largely completed.

Generic products

The revenue recognition for generic products is at a point in time (typically on delivery) under IFRS 15. Revenues for these products in 2024 was £0.7 million (2023: £0.7 million).

Cashflow / Net debt

The movement in net debt (as defined in the glossary to the annual report) is summarised as follows:

	£000s
Net Debt at 31 December 2023	(1,879)
Net cash generated from operations	176
Net cash used in investing activities	(1,616)
Net cash generated from financing activities	1,141
Effect of foreign exchange rates	(107)
Net Debt at 31 December 2024	<u>(2,285)</u>

During the first half of the year and to support the required strategic investment in our integrated software suite the Group utilised its 15% placing authority to raise circa £1.2 million after fees. The Board also confirmed an intention to subscribe for a further £0.2 million of shares in aggregate, subject to a further placing authority being approved at the 2024 AGM. The total proceeds after fees were £1.4 million. These funds were deployed to support the continued capital investment in the integrated software suite.

Also included within investing activities was the penultimate payment (£0.3 million) relating to the 2020 acquisition of ADG, a critical component of our integrated software offering. Consideration was structured to include five 'earn out' payments attached to qualifying trading performance.

The Group had net borrowings at the year-end of £2.3 million (2023: net borrowings of £1.9 million) excluding lease liabilities.

Post Period-end, the Group has taken actions to strengthen the balance sheet and ensure that ongoing operations are appropriately funded via:

- Exchange of contracts for the sale of certain properties at Staverton, Cheltenham, UK for a total of £2.0 million in cash proceeds net of selling costs and realising a profit on disposal of £0.1 million

- million in cash proceeds net of selling costs and realising a profit on disposal of £0.1 million.
- Renewal of the existing HSBC overdraft facility up to an available limit of £2.0 million of which £1.0 million is secured by a charge on the Group's remaining owned properties at Staverton

Furthermore, the Group has an active pipeline of opportunities spanning the entire spectrum of products and services. Securing these pipeline orders will underpin the cashflows of the Group in 2025 and beyond.

Research & development

Research and development repayable tax credits expected to be claimed (for cash) in the UK for the Period amount to £0.2 million (2023: £0.3 million) on qualifying expenditure of £1.4 million (2023: £1.7 million). The claims relate to the development of innovative new hardware products within the Training Systems segment as well as software products for which IP is held in the UK within the Software & Services segment.

Assets and liabilities and impairment review

The Group's goodwill has been tested for impairment, and in accordance with IAS 36 "Impairment of assets" the recoverable amount has been assessed as being the higher of the fair value less costs to sell and the value in use.

Taxation

The Group's tax position shows a tax credit of £0.5 million (2023: charge of £0.6 million) consisting of a current tax credit of £0.3 million (2023: £0.4 million) and a deferred tax credit of £0.2 million (2023: charge of £1.0 million). The current tax credit arises from R&D claims submitted with HMRC under UK government incentive plans and an in-year tax credit from losses in Canada. The deferred tax credit is due to a) the release of deferred tax liabilities relating to the change in use of land & buildings disposed post year end and classified as held for sale at year end, and b) a deferred tax credit in Pennant America Inc. due to temporary timing differences net of partial derecognition of a deferred tax asset relating to unused UK losses carried forward.

The Group has total unrelieved UK tax losses carried forward of £7.0 million (2023: £6.8 million).

Going concern

As part of their consideration of going concern, the Directors have reviewed the Group's future cash forecasts and projections, which are based on both market and internal data and recent experience.

The Directors have concluded that there are scenarios whereby the levels of forecast new business converted, or the timings of conversion are delayed which represents a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern.

Considering the Group's current committed bank facility headroom, its access to liquidity from the post year end sale of surplus land & buildings, and the strength of its pipeline, the Directors consider it appropriate that the Group can manage its business risks successfully and adopt a going concern basis in preparing these Consolidated Financial Statements.

Darren Wiggins
Director

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 £000s	2023 £000s
Continuing operations			
Revenue	2	13,775	15,535
Cost of sales		(6,875)	(7,808)
Gross profit		6,900	7,727
Land and buildings revaluation on previously impaired asset		-	39
Exceptional Costs	3	(2,322)	(325)
Profit on sale of land and buildings		231	-

Profit on sale of land and buildings		201	-
Other administration expenses		(7,596)	(7,555)
Administrative expenses		(9,687)	(7,841)
Other income		185	209
Operating (loss)/profit		(2,602)	95
Finance costs		(444)	(463)
Finance income		5	1
Loss before taxation	2	(3,041)	(367)
Taxation		466	(566)
Loss for the year attributable to the equity holders of the parent		(2,575)	(933)
Loss per share			
Basic		(6.37p)	(2.53p)
Diluted		(6.37p)	(2.53p)

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024**

	2024	2023
	£000s	£000s
Loss for the year attributable to the equity holders of the parent	(2,575)	(933)
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	(300)	(120)
<i>Items that will not be reclassified to profit or loss:</i>		
Net revaluation gain	-	113
Impairment on property, plant and equipment	(80)	-
Deferred tax credit / (charge) - property, plant and equipment	20	(28)
Total comprehensive loss for the period attributable to the equity holders of the parent	(2,935)	(968)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Notes	2024	2023
		£000s	£000s
Non-current assets			
Goodwill	4	2,530	2,595
Other intangible assets	5	4,218	5,335
Property, plant and equipment		470	4,155
Right-of-use assets		543	860
Deferred tax assets		591	399
Total non-current assets		8,352	13,344
Current assets			
Inventories		617	980
Trade and other receivables		2,355	2,647
Corporation tax recoverable		593	641

Assets held for sale		2,974	-
Cash and cash equivalents		1,045	1,099
Total current assets		7,584	5,367
Total assets		15,936	18,711
Current liabilities			
Trade and other payables		3,251	4,099
Bank overdraft	6	3,330	2,978
Current tax liabilities		3	1
Lease liabilities		137	420
Deferred consideration on acquisition		311	468
Total current liabilities		7,032	7,966
Net current assets/(liabilities)		552	(2,599)
Non-current liabilities			
Lease liabilities		468	501
Warranty provisions		92	144
Contingent consideration on acquisition		-	283
Total non-current liabilities		560	928
Total liabilities		7,592	8,894
Net assets		8,344	9,817
Equity			
Share capital		2,162	1,844
Share premium account		6,457	5,383
Capital redemption reserve		200	200
Retained earnings		(495)	1,990
Translation reserve		(85)	215
Revaluation reserve		105	185
Total equity		8,344	9,817

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Translation reserve	Revaluation reserve	Total equity
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
At 1 January 2023	1,840	5,366	200	2,844	335	110	10,695
(Loss) for the year	-	-	-	(933)	-	-	(933)
Other comprehensive income / (loss)	-	-	-	-	(120)	85	(35)
	1,840	5,366	200	1,911	215	195	9,727
Issue of new ordinary shares	4	17	-	-	-	-	21
Recognition of share based payment	-	-	-	69	-	-	69
Transfer from revaluation reserve	-	-	-	10	-	(10)	-
At 31 December 2023	1,844	5,383	200	1,990	215	185	9,817
(Loss) for the year	-	-	-	(2,575)	-	-	(2,575)
Other comprehensive income loss	-	-	-	-	(300)	(60)	(360)
	1,844	5,383	200	(585)	(85)	125	6,882
Issue of new ordinary shares	318	1,252	-	-	-	-	1,570
Issue Costs	-	(178)	-	-	-	-	(178)
Recognition of share based payment	-	-	-	70	-	-	70
Transfer from revaluation reserve	-	-	-	20	-	(20)	-

At 31 December 2024	2,162	6,457	200	(495)	(85)	105	8,344
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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024**

	Notes	2024 £000s	2023 £000s
Net cash from operations		176	1,294
Investing activities			
Interest received		5	1
Payment for acquisition of subsidiaries, net of cash acquired		-	(214)
Deferred consideration paid in respect of prior year acquisition		(511)	(352)
Investment in intangible assets		(1,371)	(1,453)
Purchase of property, plant and equipment		(223)	(305)
Proceeds from disposal of property, plant and equipment		484	-
Net cash used in from investing activities		(1,616)	(2,323)
Financing activities			
Proceeds from issue of ordinary shares		1,392	21
Repayment of lease liabilities		(251)	(195)
Net cash from/(used in) financing activities		1,141	(174)
Net decrease in cash and cash equivalents		(299)	(1,203)
Cash and cash equivalents at beginning of year		(1,879)	(426)
Effect of foreign exchange rates		(107)	(250)
Cash and cash equivalents at end of year		(2,285)	(1,879)

ABBREVIATED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Basis of Preparation

Pennant International Group plc is a public company incorporated in England and Wales under the Companies Act 2006. The company is listed on the alternative investment market ("AIM"). The address of the registered office is Unit D1, Staverton Connection, Staverton, Cheltenham, GL51 0TF.

The principal activity of the Group during the year was the delivery of integrated training and support solutions, products and services, principally to the defence, rail, aerospace and naval sectors and to Government Departments.

The financial information set out in this preliminary results announcement does not constitute the Group's statutory financial statements, as defined in section 435 of the Companies Act 2006, but is derived from those financial statements. Statutory financial statements for 2023 have been delivered to the Registrar of Companies. The audit report was unqualified, did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006 and drew attention by way of emphasis to a material uncertainty relating to going concern. Those for 2024 have not yet been delivered to the Registrar of Companies. The audit report is unqualified, does not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006 and draws attention by way of emphasis to a material uncertainty relating to going concern. The 2024 accounts will be delivered to the Registrar of Companies shortly.

Accounting policies have been applied consistently with those set out in the 2023 financial statements, as amended when relevant to reflect the adoption of new standards, amendments and interpretations which

amended when relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year. During 2024 no new standards, amendments or interpretations had a significant impact on the financial statements.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of UK-adopted international Accounting Standards, this announcement does not itself contain sufficient financial information to comply with UK-adopted international Accounting Standards. The Group will be publishing full financial statements that comply with UK-adopted international Accounting Standards in April 2025.

2. Segment information

The operating segments that are regularly reviewed by Executive Management in order to allocate resources to segments and to assess performance are aligned to the Training and Software & Services CGUs and the three regions, UK & Europe, North America and Asia-Pacific as these represent the way the Group reports financial performance and position internally.

2.1 Segment revenues and results

	Segment revenue		Segment profit/(loss)	
	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾
	£000s	£000s	£000s	£000s
Training				
UK & Europe	4,209	5,962	(879)	2,299
North America	-	-	-	-
Asia-Pacific	-	-	-	-
Sub-total Training	4,209	5,962	(879)	2,299
Software & Services				
UK & Europe	3,142	2,859	1,042	746
North America	2,743	4,051	(483)	(263)
Asia-Pacific	3,681	2,663	727	472
Sub-total Software & Services	9,566	9,573	1,286	955
Total	13,775	15,535	407	3,254
Management charges and licence fees			(3,009)	(3,159)
Net finance costs			(439)	(462)
Loss before tax			(3,041)	(367)

- (1) Restated to show only Generic products and Engineered product solutions within Training CGU, all other trading activity presented within Software & Services CGU (training services were previously included within the Training CGU) in line with the presentation of results to the executive management team.

2.2 Segment assets and liabilities

Training

	2024	2023 ⁽¹⁾
	£000s	£000s
Segment assets:		
UK & Europe	7,036	9,876
North America	-	-
Asia-Pacific	-	-
Consolidated assets	7,036	9,876

Segment liabilities:

UK & Europe	4,143	5,540
North America	-	-
Asia-Pacific	-	-
Consolidated liabilities	4,143	5,540

Software & Services

	£000s	£000s
Segment assets:		
UK & Europe	4,635	4,113
North America	3,021	3,041
Asia-Pacific	1,244	1,679
Consolidated assets	8,900	8,833

Segment liabilities:

UK & Europe	1,099	501
North America	933	702

Asia-Pacific	1,417	2,242
Consolidated liabilities	3,449	3,445

- (1) Restated to show only Generic products and Engineered product solutions within Training CGU, all other trading activity presented within Software & Services CGU (training services were previously included within the Training CGU) in line with the presentation of results to the executive management team.

2.3 Other segment information

Training

	Depreciation and amortisation (2)		Additions to non-current assets (2)	
	2024 £000s	2023 ⁽¹⁾ £000s	2024 £000s	2023 ⁽¹⁾ £000s
UK & Europe	743	765	401	393
North America	-	-	-	-
Asia-Pacific	-	-	-	-
	743	765	401	393

Software & Services

	Depreciation and amortisation (2)		Additions to non-current assets (2)	
	2024 £000s	2023 ⁽¹⁾ £000s	2024 £000s	2023 ⁽¹⁾ £000s
UK & Europe	1,200	913	1,328	1,797
North America	23	23	3	83
Asia-Pacific	175	135	16	578
	1,398	1,071	1,347	2,458

- (1) Restated to show only Generic products and Engineered product solutions within Training CGU, all other trading activity presented within Software & Services CGU (training services were previously included within the Training CGU) in line with the presentation of results to the executive management team.
- (2) Other intangible assets, property, plant and equipment and right-of-use assets.

2.4 Information about major customers

Included in the revenues of each segment are the following sales to individual external customers amounting to 10% or more of the Group's revenues.

	2024 £000s	2023 £000s
UK		
Customer 1	3,513	5,220
Canada		
Customer 2	265	2,370

3 Exceptional items

The following expenses have been recognised as exceptional items on the face of the Group income statement due to them being considered non-recurring transactions or one-off in nature

	2024 £000s	2023 Restated ⁽¹⁾ £000s
<i>Included in Administrative Expenses</i>		
Inventory Impairment	407	-
Restructuring costs	1,697	-
Aborted acquisition costs	218	190
M&A integration costs	-	135
	2,322	325

- (1) Following a review by management, £325k of costs previously presented in other administrative expenses have been represented as exceptional items on the face of the consolidated income statement.

4 Goodwill

	£000s
Carrying amount:	
At 1 January 2023	2,507
Currency translation	(62)
Acquisition of Track Access Productions Ltd	150
At 1 January 2024	2,595
Currency translation	(65)
At 31 December 2024	2,530

Goodwill acquired in a business combination is allocated at acquisition to cash generating units ("CGUs") that are expected to benefit from that business combination. The goodwill will not be deductible for tax purposes. The Group sells or offers for sale the same range of all its products in each of three distinct geographical regions, as shown in the segmental analysis at note 2. However, the Group's intellectual property is owned by the Company and is licenced to its subsidiaries. As the regional entities do not have significant revenue-generating assets, the geographic regions are not considered to be CGUs.

The Group has instead chosen its CGUs to reflect its two different product streams, which are Training (sale of Engineered and Generic products) and Software & Services (sale of Software Product Licences, Software Product Maintenance and Technical Services). This choice is justified because the intellectual property, know-how and mode of operation is different for each CGU.

The carrying amount of goodwill has been allocated as follows:

	2024 £000s	2023 £000s
Cash generating unit:		
Training	734	734
Software	1,796	1,861
	2,530	2,595

The Group tests goodwill annually for impairment. The recoverable amounts of the CGU's are determined from value in use calculations. The Group prepares cash flow forecasts for the following twelve months derived from the most recent annual financial budgets approved by the Board of Directors and extrapolates cash flows as follows:

Software CGU:

Cashflows derive from the board approved 3 year financial plan (inclusive of 12 month annual budget) and are extrapolated for a further two years at a growth rate of 3% (2023: 5%). The forecast includes a terminal value at a terminal growth rate of 3%.

Training CGU:

Cashflows derive from the board approved 3 year financial plan (inclusive of 12 month annual budget) and are extrapolated for an additional two years at a growth rate of 3% per annum (2023: 3%). The forecast includes a terminal value based off an average income from the 5 year period forecast - this is done to factor in the cyclicity experienced in the Training CGU due to long order to delivery gestation periods.

The forecast cash flows of each CGU are discounted at the following pre-tax rates to provide the value in use for each CGU:

Training CGU: 13.47% (2023: 11.74%)
Software CGU: 13.12% (2023: 12.87%)

The rates have been calculated to reflect the working capital structure of the Group as each CGU utilises the optimal capital structure, being both debt and equity.

The discounted cash flows provide headroom for the goodwill carrying values in excess of their respective assets in the case of each CGU with the Training headroom being £2 million and Software headroom of £12 million both after considering terminal values.

Key assumptions are based on past experience and external sources. No impairment of goodwill has been

recorded in either the year ending 31 December 2024 or 31 December 2023. The Directors have assessed the sensitivity of the assumptions detailed above and consider that it would require significant adverse variance in any of the assumptions to reduce fair value to a level where it matched the carrying value. For example, in the Training CGU, new business revenues would need to decrease by 15% over the forecast period before an impairment charge is required for the carrying value of the intangibles asset (in the absence of any cost cutting measures).

5 Other intangible assets

	Software	Development costs	Customer lists and contracts	Total
	£000s	£000s	£000s	£000s
Cost				
At 1 January 2023	549	9,911	-	10,460
Currency translation	-	(21)	-	(21)
Acquisition of TAP	-	-	536	536
Additions	28	1,425	-	1,453
Disposals	(40)	-	-	(40)
At 1 January 2024	537	11,315	536	12,388
Currency translation	-	(29)	-	(29)
Additions	22	1,349	-	1,371
At 31 December 2024	559	12,635	536	13,730
Amortisation				
At 1 January 2023	531	5,239	-	5,770
Currency translation	-	(7)	-	(7)
Charge for the year	10	1,240	80	1,330
Disposals	(40)	-	-	(40)
At 1 January 2024	501	6,472	80	7,053
Currency translation	-	(16)	-	(16)
Charge for the year	19	1,517	108	1,644
Impairment	-	831	-	831
At 31 December 2024	520	8,804	188	9,512
Carrying amount				
At 31 December 2024	39	3,831	348	4,218
At 31 December 2023	36	4,843	456	5,335

During 2024 the Group capitalised £1,349k (2023: £1,425k) of costs in relation to the ongoing development of the Auxilium software suite of solutions including enhancements to existing software related assets. More information can be found in the CEO's report.

£831k of impairment was identified (2023: £NIL) in relation to Training Systems hardware development costs relating to specific projects no longer viable as a result of the training division restructure. An impairment review was performed as at 31 December 2024 and following sensitivity analysis performed on the key assumptions, as disclosed in note 16 of the notes to the financial statements as contained the 2024 Annual Report and Accounts, no further impairment to other intangible assets was deemed necessary.

6 Borrowings

On 31 December 2024 the Group had available bank overdraft facilities, for use by its UK trading entities and provided by HSBC UK, of £3.5 million (2023: £4 million). During April 2025 the facility was extended for a further 12 months at a lower facility limit of £2 million which reflects the reduction in secured assets (sale of Land & Buildings).

Any overdraft arising from the facility is repayable on demand and carries interest at 2.50% (2023: 2.50%) plus the bank's base rate. Any facilities used are secured by fixed and floating charges over the assets of Pennant International Group plc, Pennant International Limited and by cross-guarantees between those companies.

7 Post balance sheet events

On 24th February 2025 the company announced the disposal of unit D at the Group's Staverton site for a cash consideration of £0.83 million as part of the previously announced streamlining of the Group's Training

Division.

On 7th April 2025 the company announced the exchange of contracts on three more commercial properties at the Group's Staverton site (units D3, D4 and car park). The aggregate consideration is £1.2 million and completion on each of the transactions is set for 25 April 2025.

During April 2025 the Group renewed its overdraft facility with its bankers, HSBC, at a limit of £2 million, for 12 months, secured by charges on the remaining owned land & buildings at Cheltenham, UK.



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