FOR IMMEDIATE RELEASE **25 May 2022**

PENNANT INTERNATIONAL GROUP PLC

Preliminary Results for the Year Ended 31 December 2021

Significantly Improved trading performance in 2021;
Positive trading momentum continues into current year

Pennant International Group plc (AIM:PEN)("**Pennant**", the "**Group**", the "**Company**"), a leading global provider of training technology and integrated product support solutions, announces its Preliminary Results for the Financial Year ended 31 December 2021.

Commenting on the Group's performance, John Ponsonby, Chairman, said:

"I am pleased to report that the Group has delivered a significantly improved performance in 2021 compared with 2020 albeit the extent of the improvement is impacted by the well documented issues we have experienced on the UK Maintenance Training Equipment ("MTE") programme.

"Revenue was up in both the Technical Training Division (TTD) and Integrated Product Support (IPS) Division. This was achieved despite the ongoing impact of Covid-19 and a challenging first half on which we reported an EBITA loss of £1.0 million. As anticipated, the second half was stronger, generating an EBITA profit of £0.2m, resulting in an EBITA loss of £0.8 million for the year as a whole.

"Particularly pleasing has been the performance of the IPS division, where significant progress has been made in line with our strategy to increase visibility of revenues and, in particular, recurring revenues which are now running at an estimated £5.5 million for 2022.

"For the year to 31 December 2021 as a whole, the Group recorded consolidated revenues of £16.0 million (2020: £15.1 million) and a consolidated loss before tax of £2.5 million (2020: loss before tax £3.1 million). The loss before interest, tax and amortisation (EBITA) was £0.8 million (2020: EBITA loss of £1.6 million) and EBITDA loss was £0.1 million (2020: EBITDA loss of £0.9 million)."

Financial Summary

- Group revenues of £16.0 million (2020: £15.1 million);
- Gross profit margin of 27% (2020: 29%);
- Realisation of £0.9 million in costs savings as planned in 2020;
- Loss before tax of £2.5 million (2020: loss before tax of £3.1 million);
- EBITA loss of £0.8 million (2020: EBITA loss of £1.6 million);
- EBITDA loss of £0.1 million (2020: EBITDA loss of £0.9 million);
- Loss for the year attributable to shareholders of £1.6 million (2020: loss of £2.6 million);
- Basic loss per share of 4.41p (2020: loss of 7.22p);
- Group net assets at year-end of £11.1 million (2020: £12.5 million);
- Net debt at year-end of £3.5 million (2020: net debt of £1.5 million);
- No final dividend recommended (2020: £NIL);
- Three-year order book at year-end stood at £22 million (2020: £31 million).

Operational Summary

New contract awards, amendments and operational achievements during the year are set out below:

- first commercial aerospace customer secured for IPS software and services in North America with a USD$1.1 million contract value;
- continued on-time and on-budget delivery of the UK Helicopter programme valued at £3.4 million;
- successful installation and commission of generic training devices in Qatar, enabling revenue to be recognised;
- completion of build and factory acceptance on products for second Middle East customer, which were then delivered and installed in the second half; and
- award of Australian defence services contract worth AUD$1.3 million.

Post period end highlights

- Boeing Defence United Kingdom Limited (BDUK) £8.8 million contract awarded to Pennant. First milestone has been successfully passed.
- Awarded USD$1.8 million contract for the supply of software and services to a second new customer in the North American commercial aerospace market.
- Received an order worth up to £250,000 from UK Defence for the supply of the Group's sophisticated, proprietary rotary-wing aircraft systems training software and related maintenance services.
- Accepted an offer, subject to contract, in excess of book value for the Group's property, Pennant Court which is now surplus to requirements due to the shift to hybrid working and the strategic focus on software development activities.
- Contracted three-year order book now stands at more than £32 million, with approximately £13 million is scheduled for recognition in 2022 and £13m in 2023, with the balance in 2024.

On current trading and prospects, Mr Ponsonby concluded:

"Looking forward, we are confident that our Group performance metrics in 2022 will be achieved, and our strategy to continue to build our global footprint and develop long-term partnerships, will bring further sales. The post period end realignment of operations into a global delivery model will enable the full spectrum of Pennant's software, technology and services to be offered and delivered in all three key regions.

"The current year has started well. In March 2022, we finally secured the Major Programme for Boeing Defence United Kingdom Limited – a contract worth £8.8 million over three years. With other contract wins also secured, our contracted three-year order book now stands at more than £32 million.

"On this basis, the Board views prospects for 2022 with increasing confidence and looks forward to reporting a significantly improved performance for the current year."

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*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***.**

CHAIRMAN'S STATEMENT

I am pleased to report that the Group has delivered a significantly improved performance in 2021 compared with 2020 albeit the extent of the improvement is impacted by the issues we have experienced on the General Dynamics MTE programme.

Revenue was up in both the Technical Training Division (TTD) and Integrated Product Support (IPS) Division. This was achieved despite the ongoing impact of Covid-19 and a challenging first half upon which we reported an EBITA loss of £1.0 million. As anticipated, the second half was stronger, generating an EBITA profit of £0.2 million, resulting in an EBITA loss of £0.8 million for the year as a whole.

Particularly pleasing has been the performance of the IPS division where significant progress has been made in line with our strategy to increase visibility of revenues and, in particular, recurring revenues which are now running at an estimated £5.5 million for 2022.

Our Strategy

The underlying strengths of Pennant – our long-term customer relationships, our specialist services and our quality-assured reputation – remain the solid foundations of our proposition and present formidable barriers to entry for any new market entrants.

Our focus remains firmly on increasing the proportion of the Group's revenues which derive from the sale of software and services, particularly those of a recurring nature, while expanding the Group's market coverage and addressing gaps in the product range through the Group's 'Innovation' programmes.

In addition, the Group continues to seek other strategic opportunities to partner with or acquire complementary businesses.

Post period end, the Group has realigned operations to enable effective and efficient global delivery, with the Group organised into key regions (UK, EU & Middle East, North America, and Australia). This is designed to allow the 'full spectrum' of Pennant products and services to be offered and delivered in all three regions.

Key Financials

For the year ended 31 December 2021, the Group recorded consolidated revenues of £16.0 million (2020: £15.1 million). Turnover was underpinned by the Group's contracted revenue base, in particular, the continued delivery of the Group's overseas services contracts and the successful achievement of a number of operational milestones.

The decisive action taken to realign costs in 2020 has resulted in an annualised staff costs reduction of £0.9 million.

The Group posted a consolidated loss before tax of £2.5 million (2020: loss before tax £3.1 million) with an EBITA loss of £0.8 million (2020: EBITA loss £1.6 million).

Dividend

Taking account of the Group's 2021 financial performance, the trading outlook and the Group's cash position, the Directors believe that it is both prudent and in the Company's and shareholders' current best interests to retain cash for working capital.

The Board will therefore not be recommending the payment of a final dividend for the year ended 31 December 2021.

Our People

To deliver a successful set of results in 2022, the Group must have a committed workforce, appropriately incentivised and motivated. Under extraordinarily difficult circumstances, I would like to publicly thank all of our employees for their commitment to supporting the Group's intent for 2021 and for the flexibility they have demonstrated in meeting specific contract outputs.

It is also our people we rely on to deliver our strategy and in order to deliver a successful set of results in 2022 we must pay particular attention to their needs going forward and as a Board we remained focused on supporting them.

Governance

The Board is committed to maintaining robust corporate governance. It has worked closely with its advisors and in 2021 monitored 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 review.

Contracted Order Book & Pipeline Update

The conversion of the Group's pipeline into new orders continued to be impacted during the Period but proceeded broadly in line with expectations in the second half of the year, with a strong final quarter. The Group has maintained this trading momentum into 2022 with over £10 million of new orders secured during the first quarter, as highlighted in the Contracts & Order Book Update announcement released on 23 March 2022. The post period end contract wins have delivered a strong start to the current year, with the contracted order book now standing at £32 million.

The overall value of the Group's active pipeline (including the Major Programme) at year-end was in excess of £60 million.

Outlook

Looking forward, we are confident that our Group performance metrics in 2022 will be achieved, and our strategy to continue building our global footprint and developing long-term partnerships, will generate further sales. The post period-end realignment of operations into a global delivery model will enable the full spectrum of Pennant's products and services to be offered and delivered in all three key regions.

The current year has started well. In January we finally secured the Major Programme for Boeing Defence United Kingdom Limited – a contact worth £8.8 million over three years. With other contract wins also secured, our contracted three-year order book now stands at more than £32 million.

On this basis, the Board views prospects for 2022 with increasing confidence and looks forward to reporting a significantly improved performance for the current year.

In addition, the Board believes that the Group's underlying strengths - our long-term customer relationships with governments and major OEMs, our specialist services and our quality-assured reputation - will continue to provide a solid foundation for continued recovery and long-term success.

J Ponsonby
Chairman

CHIEF EXECUTIVE'S REVIEW

Encouraging signs

The year under review has seen significant progress made both financially and strategically despite the continuing impact of Covid-19 across the Group's main markets, and the challenges and the well documented impact of the MTE programme.

The successful integration of the R4i suite of software, coupled with the structural and operational changes implemented have advanced the Group's strategic objectives, to diversify and enhance our recurring revenue streams, thereby reducing our historic reliance on substantial engineered-to-order contracts, whilst also improving efficiency.

Financial review

The results and the key financial performance indicators are set out below.

<u>Performance</u>

Revenue for the year was delivered in line with expectations, with solid progress and improved revenues achieved across both divisions.

The Group's contracted order book remained resilient with a good performance achieved in North America and Australia and, as anticipated, the business produced a much-improved performance in the second half of 2021.

The post period-end contract wins have ensured momentum has continued into 2022, with the contracted order book now standing at £32 million.

The table below highlights the second half improvement.

£m	**H1**	**H2**	**2021**
Revenue	7.4	8.6	16.0
Gross Profit	1.6	2.8	4.4
Gross Profit %	*21%*	*33%*	*27%*
Admin Costs (net of Other Income)	(3.2)	(3.3)	(6.5)
Operating Margin	(1.7)	(0.5)	(2.2)
EBITA	**(1.0)**	**0.2**	**(0.8)**

The gross profit margin for the period was 27% (2020: 29%) with the impact of the MTE programme masking the underlying improvements delivered during the period which shows an underlying gross margin of 41%.

Staff costs decreased to £8.7 million (2020: £9.6 million), benefitting from the positive impact of the revised operational structure, generating a net £0.9 million reduction.

As a result, the operating margin recovered to a loss of £2.2 million (2020: operating loss £3.0 million) and an EBITA loss of £0.8 million (2020: EBITA loss £1.6 million).

Underlying performance

Whilst the Group's performance demonstrates signs of improvement, the overall result was significantly impacted by the MTE programme with its continuing and well publicised challenges impacting the business.

As outlined in previous announcements, the challenges of the MTE Programme negatively impacted the financial performance of the TTD and Group result throughout the year.

The MTE programme is scheduled to complete within 2022, although in order to accommodate MOD facilities readiness, the delivery and acceptance testing of the second set of MTE devices are now anticipated to take place in July and September 2022 respectively. It is anticipated that the contract will have little or no further financial impact on the current year.

Notwithstanding the impact of this specific programme, the underlying performance of the Group demonstrates encouraging signs of recovery as illustrated in the table below.

£m	**Excl MTE**	**MTE**	**2021**
Revenue	14.2	1.8	16.0
Cost of sales	(8.4)	(3.2)	(11.6)
Gross Profit / (Loss) *Gross Profit %*	5.8 *41%*	(1.4) *(78%)*	4.4 *27%*
Admin Costs (net of Other Income)*	(6.5)	-	(6.5)
Operating Margin	(0.7)	(1.4)	(2.2)
EBITA	**0.6**	**(1.4)**	**(0.8)**

** Admin costs associated with the delivery of the MTE programme are excluded from the above analysis*

Year-end order book

At 31 December 2021, the Group's three year contracted order book stood at £22 million (2020: £31 million), of which £10 million of revenue (2020: £14 million) is scheduled for recognition in 2022 based on anticipated completion of generic products, execution of software & services projects and progress made on engineered-to-order contracts.

Following additional contract wins after the year-end, including the BDUK award, the current three year contracted order book now stands at £32 million, of which approximately £13 million is scheduled for recognition in 2022 and £13 million in 2023.

Of the total order book, 42% (2020: 46%) is denominated in sterling, 36% (2020: 39%) is denominated in Canadian dollars and 22% (2020: 15%) is denominated in Australian dollars. Any movement of sterling to the Canadian or Australian dollars would potentially impact the IPS business.

Taxation

The Group's tax position shows a tax credit of £0.9 million (2020: tax credit of £0.5 million). The Group has unrelieved UK tax losses carried forward of £6.7 million (2020: £4.5 million), all of which has been recognised in the deferred tax balance as at 31 December 2021.

Research & development

Research and development tax credits claimed in the UK during the year amounted to £1.4 million (2020: £1.6 million), with further claims on current projects expected to be made during 2022. These claims relate to the development of innovative new software products, many of which now form part of Pennant's enhanced product portfolio and are being successfully sold internationally.

In line with the Group's core strategic objectives, investment in innovation has been targeted to expand the Group's market coverage, addressing gaps in the product range and improving the overall customer proposition. During the period, the Group invested circa £1.0 million in the development of new and enhanced solutions and the following new products were successfully completed or were under development:

- GenS software (OmegaPS successor product) release 1;
- Engine Systems Start Trainer – modular software training solution;
- New Signal Sighting software system developed for Network Rail; and
- Upgraded Loadmaster virtual software training system developed for US market.

Pennant anticipates that it will continue to invest in new technology-led solutions during 2022 albeit, given the stage of development of its pipeline, investment will be at a lower level than in 2021. The Group has an active pipeline of potential product innovations and improvements that are undergoing a detailed assessment process with a view to obtaining Board funding approval if a business case can be established.

Cashflow

Cash used in operations amounted to £0.1 million (2020: cash generated in operations of £3.1 million). This reflects the stage of completion on major programmes with contract milestones to be achieved in 2022 ahead of invoicing and cash payments being received.

The Group had net borrowings at the year-end of £3.5 million (2020: net borrowings of £1.5 million) excluding lease liabilities.

Divisional performance

Divisional financial performance is set out below and further information about the business of each division is provided in the ‘About Pennant’ section of the Annual Report.

Integrated Product Support (IPS)

The Group’s IPS division has traditionally focused on the development of the OmegaPS LSAR software product and the provision of consultancy, training and support services in relation thereto.

The successful integration of the R4i software suite alongside the existing OmegaPS suite of products has significantly enhanced the Group’s operational footprint in Australia and the United States to deliver software and consultancy programmes, providing much greater traction in and between two of the Group’s principal target markets.

The table below summarises the improvements in revenue and contribution.

	2021 £m	2020 £m
Revenue		
- Products & Licenses	**1.1**	0.5
- Maintenance	**1.4**	1.3
- Services	**3.1**	3.5
Total	**5.6**	5.3
Divisional Contribution	**0.9**	0.5
Allocation of Group costs	**(0.7)**	(0.6)
Profit / (Loss) for the period	**0.2**	(0.1)

Of the revenues above, maintenance and services revenues are essentially recurring revenues with product and licenses representing new sales that will subsequently lead to additional recurring revenues.

In both 2021 and 2020, recurring revenues accounted for the majority of revenues (80%). Services revenues in 2021 were impacted by the timing of a contract renewal in Canada (resolved in December 2021) which resulted in reduced billing in the final quarter of the year and a drop in annual revenues. Recurring revenues were primarily generated from consultancy services (55%) and long-term software maintenance agreements (25%), predominantly in North America and Australia.

The significant increase in Product & Licenses was driven by R4i software sales, with the associated recurring maintenance revenues (circa 20% per annum) to follow.

During the year Pennant secured its first commercial aerospace customer for S1000D software and services in North America.

Strategically the Group continues to invest in the internally funded development of our Omega PS successor product, known as GenS (redesigned to ensure legacy, current and future LSA standards are quickly and easily supported, with a modern, easy to use interface). The first version was released in 2021 with the full product suite expected to be released in early 2023.

The divisional contribution was much improved in 2021 resulting in a profit for the period (after the allocation of Group costs) of £0.2 million compared to a loss of £0.1 million in the prior year.

Post period contract wins, including securing a second commercial aerospace customer, have maintained momentum in the software business resulting in contracted run rate revenues of approximately £7 million for 2022, of which £5.5 million is considered to be recurring revenue.

It is pleasing to see the improved visibility that this Division's recurring revenue provides and the Board remains highly focused on increasing the proportion of Group sales generated from these services.

<u>Technical Training Division (TTD)</u>

Revenues for the year increased by £0.5 million to £10.3 million (2020: £9.8 million) primarily as a direct result of the delivery of the contracted order book.

The Group's TTD is focused on the design and build of generic and platform-specific training solutions and the provision of related technical and support services.

The performance of TTD is summarised below:

	2021 **£m**	2020 £m
Revenue		
- Engineered	**4.2**	3.6
- Generic	**2.6**	2.7
- Technical Services & Support	**3.5**	3.5
Total	**10.3**	9.8
Divisional Contribution	**(1.0)**	(1.6)
Allocation of Group costs	(1.4)	(1.3)
Loss for the period	**(2.4)**	(2.9)

Revenues from TTD were predominantly generated from product sales, which accounted for 66% (2020: 64%) of the divisional revenues.

The balance of revenues was generated from the strong recurring technical and support services business which was largely stable throughout the year.

During the period notable operational achievements included:

- critical design review successfully passed on UK Helicopter trainer programme, on time and on budget;
- after significant Covid-19 related delays, successful installation and commission of generic training devices in Qatar, enabling revenue to be recognised; and
- completion of build and factory acceptance on products for second Middle East customer, ready for delivery and installation in the second half.

Board change

On behalf of the Board, I would like to take this opportunity to thank Mervyn Skates, who stood down as a Director in April 2022, for his service over the last three years. Mervyn has played a key role in developing Pennant's operational delivery governance, leading the development of technical training solutions. We wish Mervyn every success for the future.

Post period end

We have made an excellent start to 2022 in terms of order intake, as already announced. In March, we at long last secured the Major Programme for Boeing Defence United Kingdom Limited – a contact worth £8.8 million over three years with the majority of revenue expected to be recognised in 2023. Work on the contract has commenced and I am pleased to report that the first milestone has just been successfully passed.

Also, in Q1 2022 the Group has secured a USD$1.8 million contract comprising software licenses with a new customer in the North American commercial aerospace market. Furthermore, we have secured a new contract to supply training software and services worth £250,000 to UK Defence and £200,000 of orders from rail industry customers.

I am also pleased to report that the Board has accepted an offer, subject to contract, in excess of book value for Pennant Court, one of the Group's freehold properties, which is now surplus to requirements due to the shift to hybrid working and the strategic focus on software development activities. The majority of any sales proceeds are expected to be used to repay and reduce existing debt facilities, with a proportion also being retained for working capital purposes.

The operational improvements achieved through the year, together with the post period-end contract wins and our improved contracted order book, provide a firm platform for a successful recovery and growth in the current year.

Philip Walker
Group CEO

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
Continuing operations		**£000s**	£000s
Revenue		15,965	15,056
Cost of sales		(11,609)	(10,676)
Gross profit		**4,356**	**4,380**
Intangible asset impairment		-	(222)
Land and buildings revaluation		117	-
Restructuring expenses		-	(541)
Other administration expenses		(6,826)	(7,156)
Administrative expenses		(6,709)	(7,919)
Other income		203	525
Operating loss		**(2,150)**	**(3,014)**
Finance costs		(329)	(125)
Loss before taxation		**(2,479)**	**(3,139)**
Taxation	2	865	513
Loss for the year attributable to the equity holders of the parent		**(1,614)**	**(2,626)**
Earnings per share			
Basic		(4.41p)	(7.22p)
Diluted		(4.41p)	(7.22p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021**	2020
		£000s	£000s
Loss for the year attributable to the equity holders of the parent		**(1,614)**	(2,626)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(64)	41
Items that will not be reclassified to profit or loss			
Net revaluation gain		353	-
Deferred tax charge – property, plant and equipment		(156)	(18)
Total comprehensive loss for the period attributable to the equity holders of the parent		**(1,481)**	(2,603)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

	Notes	2021 £000s	2020 £000s
Non-current assets			
Goodwill		2,403	2,428
Other intangible assets		5,081	5,570
Property, plant and equipment		6,009	5,904
Right-of-use assets		661	830
Deferred tax assets		850	91
Total non-current assets		**15,004**	**14,823**
Current assets			
Inventories		865	1,081
Trade and other receivables		4,528	4,884
Corporation tax recoverable		330	533
Cash and cash equivalents		901	1,439
Total current assets		**6,624**	**7,937**
Total assets		**21,628**	**22,760**
Current liabilities			
Trade and other payables		3,595	4,120
Bank overdraft		4,441	2,892
Current tax liabilities		367	200
Lease liabilities		209	193
Deferred consideration on acquisition		432	367
Total current liabilities		**9,044**	**7,772**
Net current assets / (liabilities)		**(2,420)**	**165**
Non-current liabilities			
Lease liabilities		529	720
Deferred tax liabilities		-	192
Warranty provisions		122	122
Contingent consideration on acquisition		789	1,421
Total non-current liabilities		**1,440**	**2,455**
Total liabilities		**10,484**	**10,227**
Net assets		**11,144**	**12,533**
Equity			
Share capital		1,832	1,822
Share premium account		5,345	5,295
Capital redemption reserve		200	200
Retained earnings		2,687	4,243
Translation reserve		226	290
Revaluation reserve		854	683
Total equity		**11,144**	**12,533**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	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 2020	1,806	5,100	200	6,759	249	730	14,844
(Loss) for the year	-	-	-	(2,626)	-	-	(2,626)
Other comprehensive income	-	-	-	-	41	(18)	23
Total comprehensive income	1,806	5,100	200	4,133	290	712	12,241
Issue of new ordinary shares	16	195	-	-	-	-	211
Recognition of share based payment	-	-	-	81	-	-	81
Transfer from revaluation reserve	-	-	-	29	-	(29)	-
At 31 December 2020	1,822	5,295	200	4,243	290	683	12,533
(Loss) for the year	-	-	-	(1,614)	-	-	(1,614)
Other comprehensive income / (loss)	-	-	-	-	(64)	197	133
Total comprehensive income	1,822	5,295	200	2,629	226	880	11,052
Issue of new ordinary shares	10	50	-	-	-	-	60
Recognition of share based payment	-	-	-	32	-	-	32
Transfer from revaluation reserve	-	-	-	26	-	(26)	-
At 31 December 2021	**1,832**	**5,345**	**200**	**2,687**	**226**	**854**	**11,144**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000s	2020 £000s
Net cash from operations		**(127)**	3,145
Investing activities			
Payment for acquisition of subsidiary, net of cash acquired		(549)	(791)
Purchase of intangible assets		(966)	(1,283)
Purchase of property, plant and equipment		(134)	(118)
Proceeds from disposal of property, plant and equipment		22	-
Net cash used in investing activities		**(1,627)**	(2,192)
Financing activities			
Proceeds from issue of ordinary shares		60	45
Repayment of lease liabilities		(309)	(277)
Net cash from financing activities		**(249)**	(232)
Net (decrease)/increase in cash and cash equivalents		**(2,003)**	721
Cash and cash equivalents at beginning of year		(1,453)	(2,242)
Effect of foreign exchange rates		(84)	68
Cash and cash equivalents at end of year		**(3,540)**	(1,453)

ABBREVIATED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Basis of Preparation

The financial information set out in this preliminary announcement does not constitute statutory accounts for the purposes of the Companies Act 2006.

The statement of financial position at 31 December 2021 and income statement, statement of changes in equity, statement of cash flows and associated notes for the year ended 31 December 2021 have been extracted from the Group's 2021 financial statements upon which the auditor opinion is unqualified.

The financial information in this preliminary statement has been prepared in accordance with the accounting policies, and on the basis set out, in the Group's 2021 financial statements.

The 2021 Annual Report and Accounts will be available on the Company's website: www.pennantplc.co.uk Copies may be obtained by contacting the Company Secretary at Pennant Court, Staverton Technology Park, Cheltenham GL51 6TL.

2. Taxation

	2021 £000s	2020 £000s
Recognised in the income statement		
Current UK tax credit	80	216
Foreign tax expense	(365)	(360)
In respect of prior years	62	25
Sub-total current tax	(223)	(119)
Deferred tax credit relating to origination and reversal of temporary differences	1,205	663
In relation to prior years	150	(7)
Effect of tax rate change	(272)	(24)
Exchange rate difference	5	-
Subtotal deferred tax	**1,088**	632
Total P&L tax credit	**865**	513
Other Comprehensive Income charge for the period – Deferred tax	**(156)**	(18)
Reconciliation of effective tax rate		
Loss before tax	**(2,479)**	(3,139)
Tax at the applicable rate of 19.00% (2020: 19.00%)	471	596
Tax effect of expenses not deductible in determining taxable profit	(18)	(50)
Tax effect of income excluded from taxable profits	181	29
Impact of R&D tax credits	34	93
Foreign tax expensed	38	(115)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(93)	(7)
Effect of lower / (higher) rate of deferred tax	220	(34)
Deferred tax not recognised	12	(35)
Effect of adjustments for prior years (current tax)	62	25
Effect of adjustments for prior years (deferred tax)	150	(7)
Other differences	(192)	18
Total tax credit	**865**	513