Pennant

2024

Annual Report & Accounts

Company Number: 03187528

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Contents

Glossary

AGM	Annual General Meeting
EASA	European Union Aviation Safety Agency
EBITA	Earnings before interest, taxation and amortisation
EBITDA	Earnings before interest, taxation, depreciation & amortisation
EMAR	European Military Aviation Requirements
H1	The six months ended 30 June 2024
H2	The six months ended 31 December 2024
IBP	Integrated Business Plan
IPS	Integrated Product Support
ILS	Integrated Logistics Support
ITAR	International Traffic in Arms Regulations (US government regulation)
Net Debt	The result of deducting the company's interest bearing debt from its cash position
OEM	Original Equipment Manufacturer
Q1	The three months ended 31 March 2024
Q2	The three months ended 30 June 2024
Q3	The three months ended 30 September 2024
Q4	The three months ended 31 December 2024

Maximizing operational efficiency

Strategic Report

Our Vision

To be the leading systems support and training solutions company.

Our Mission

To ensure our customers' assets are available where they are needed, when they are needed and that they work.

Our Strategy

- Expand, and be first to market, with our end-to-end IPS software suite
- Grow our technical services offering, through organic growth and acquisition
- Optimise the Training Systems business
- Deliver excellence in our customer experience

Details of the Group's Integrated Business Plan can be found on page 16.

Maximizing operational efficiency

About Pennant

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 maximize operational and maintenance efficiency.

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

Pennant Overview

Provides **systems support software**, technical services & training solutions	To **defence** agencies and major OEMS worldwide	Enabling our customers to make **data driven decisions** for **mission critical assets**	Ensuring **data integrity** and **compliance** with global standards	To **maximize operational efficiency** at optimal cost

GLOBAL BUSINESS
UK (HQ), Canada, USA, Australia

100+
Employees

REVENUE
80% Defence, 10% Rail, 10% Aerospace

GEOGRAPHIES (%REV)
53% EMEA, 27% APAC, 20% NA

Group aspirations:

- Auxilium software to be the systems support enterprise solution of choice
- Increase market share at an improved rate of return with a high operating cash conversion in chosen markets

How We Operate

We address the market through three key segments:

SYSTEMS SUPPORT SOFTWARE

Our software tools are designed to help clients:

- manage and use complex data
- ensure equipment availability at optimal cost
- comply with industry standards

TECHNICAL SERVICES

Our services support all our software and training solutions, including:

- Consultancy
- Support & maintenance
- Training
- Bespoke development

TRAINING SOLUTIONS

Our training solutions provide:

- hardware, software and virtual solutions.
- critical skills training for maintainers and operators of aircraft, ships and land systems

"We ensure mission critical systems are where they are needed, when they are needed and that they work."

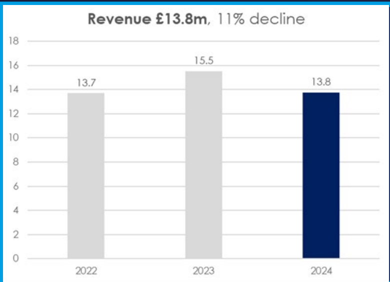
Systems Support Software: a key generator of recurring revenues through the provision of a suite of software tools designed to help clients: manage and use complex data; ensure equipment availability at optimal cost; and comply with industry standards. Our Integrated Product Support (IPS) and Integrated Logistics Support (ILS) software and services equips customers with powerful market-leading toolsets to manage, model and utilise complex equipment data.

Technical Services: 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.

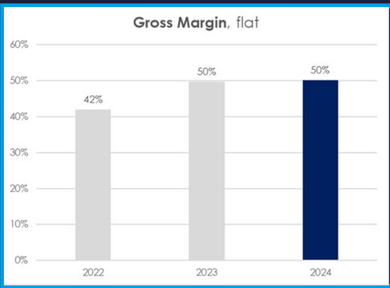
Pennant is strategically focused on sustainable recurring and repeatable revenues and profitability growth, shifting its model towards high margin software and services. Against a climate of rising defence budgets and the burgeoning technological complexity of military, aviation and rail platforms, the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

Group Key Financials

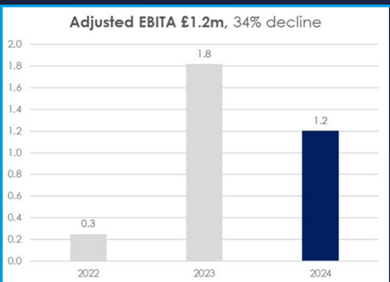


During the year we successfully completed the delivery to program milestones under a 3-year contract with Boeing Defence UK for updates to AH Mk1 Apache training equipment ("Apache"). Revenue recognised, in the Training Systems segment. Software & Services (recurring and repeatable revenue) is stable at £9.6 million (2023: £9.6 million) and 69% of Group total.

Training Systems revenue of £4.2 million (2023: £6.0 million) chiefly comprises the Apache program.



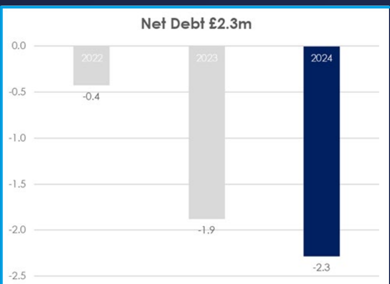
The gross profit margin for the Period of 50% (2023: 50%), represents another record margin year for the Group and benefits from the profitable completion of the Apache program as well as the continued strategic shift of the Group towards software-related products and higher value services.



The reduction in adjusted[1] EBITA resulting from the lower sales year over year has been has been partially offset by a controlled cost base, resulting 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).

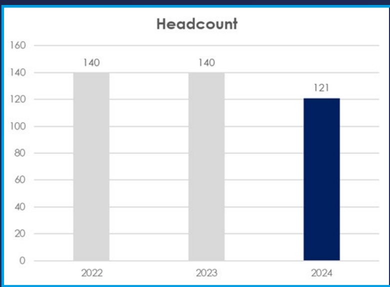
[1] Various adjusted measures of performance are used throughout the annual report and are reconciled to statutory figures within the CFO Review on page 12.

Adjusted[1] Profit before Tax, a key measure of performance, will be our profitability measure going forwards as this factors in the amortised cost of our investments into R&D and specifically our core software platform - Auxilium.



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

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



The Training Systems division restructuring exercise led to the reduction in global workforce from 140 at the end of 2023 to 121 at the end of 2024. Cash costs of the staff reduction exercise were £0.4 million, annual cost savings are expected to be c£2.0 million comprising staff costs, facility costs, depreciation and amortisation.

[1] Various adjusted measures of performance are used throughout the annual report and are reconciled to statutory figures within the CFO Review on page 12.

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. For a comprehensive breakdown of the Group's programme of deliveries please refer to the operational review on pages 10 and 11.

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 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' (outlined in detail on page 43). 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 this document.

> "the Auxilium software suite brings to market a leading software solution aligned to addressing the challenges that operators face."

Current Trading and Outlook

The strategic investment into 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.

Approved by the Board on 23rd April 2025
and signed on its behalf

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 contract 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.

> "Pennant already has a track record of delivering to a global list of household names in the Aerospace and Defence markets which provides a strong base."

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 through partners, 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.

Approved by the Board on 23rd April 2025
and signed on its behalf

P H Walker
Director

Chief Financial Officer's Review

Darren Wiggins - CFO

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 the 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 was 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	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	**(2,285)**

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

- 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. More detail can be found in notes 4 and 27 to the financial statements.

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

> "The Group has an active pipeline of opportunities spanning the entire spectrum of product and services."

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

Integrated Business Plan

Integrated Business Planning (IBP) is a holistic approach that integrates strategic planning, operational planning, and financial planning within an organisation. IBP brings together various functions, including sales, marketing, finance, supply chain, human resources, IT and beyond to collaborate across business units and make informed decisions that drive overall business success.

At Pennant we use IBP to ensure that the customer experience is at the heart of everything we do. Our annual strategic planning process ensures that our long-term objectives are understood, aligned to our day-to-day operating activities and drive team members' annual goals. We run the business on the philosophy that motivated people drive an excellent customer experience which in turn leads to growth opportunities and strong financial performance.

Our Strategic Framework

Our strategy is comprised of four key areas of focus that will help us achieve our long-term objectives and generate meaningful shareholder value. It is centred on maintaining and growing our core capabilities and securing growth opportunities through advancing our strategic directives.

Strategic directives

- Expand, and be first to market, with our end-to-end IPS software suite
- Grow our technical services offering, through organic growth and acquisition
- Optimise the Training Systems business
- Deliver excellence in our customer experience

Our strategy in action:

- Auxilium = Integration and acceleration of Pennant core software applications into one, holistic software suite to create the next generation of IPS software solutions
- Restructured the Training Systems business to reduce cost base and operating footprint – core focus on modifications, retrofits and upgrades to our installed base
- Investing in customer support digital tools that will make Pennant easier to do business with

Principal Risks And Uncertainties

Risk Management Review

Group-wide risk management is ultimately the responsibility of the Board (supported by the Audit & Risk Committee) with an operational framework overseen by the Commercial & Risk Director.

Operational risk management is embedded in the Group's business processes, which are set down in writing and compliance with which is monitored and audited by the Group's internal Quality function (and periodically reviewed by external quality compliance auditors).

Each live programme has a risk and opportunities register which is maintained by the relevant Programme Manager and reviewed regularly, in particular at standing monthly programme review meetings.

The Group's key risks (operational and otherwise) are recorded in a Group Risk Register and those risks together with their respective mitigants, controls and corrective actions are regularly monitored by executive management and reviewed by the Audit & Risk Committee (and the Board as appropriate).

Key risks

Key risks to the Group (and the relevant mitigants and controls employed by the Group) are explained below.

These are the risks which the Board considers, as at the date of this report, to be the most critical to the continued operation of the Group and the achievement of its strategic objectives. The risks described do not represent the totality of the risks facing the Group and should not be relied on as such by any person considering any investment decision in relation to the Company's ordinary shares.

Description of risk	Potential impact	Mitigation and control
Realising the investment in Auxilium		
With the significant investment made by the Group in the Auxilium software suite, it is critical to ensure that, over time, this investment is realised through the successful commercialisation of the suite. This commercialisation could be sub-optimally executed due to one or more of the following (or other) factors: inadequate product functionality; misjudging the market need; ineffective sales and marketing; under or over pricing.	Disappointing sales revenues lead to an impairment of the related intangible asset, causing financial losses to the Group. The Group's credibility in the integrated product support field is damaged as a result, leading to the loss of ancillary professional services work.	Auxilium conforms to various industry standards and comprises products with a long history in their respective niches, so it is unlikely that the underlying customer need has been seriously misjudged. Early customer engagement has been ongoing since 2022 regarding GenS and, since 2023, regarding the whole Auxilium suite. Feedback from customers has been positive and indicates that the market for a holistic, end-to-end solution is real. The development of the Auxilium suite has been performed by skilled software architects and engineers in accordance with industry-recognised development processes, including in relation to progressive testing. New resource is being hired to support the existing Sales and Marketing personnel to ensure that sales and marketing activities are optimised, building on the early customer engagement. A dedicated team has been created to establish effective distribution channels through selected agents and re-sellers to maximize indirect sales. Detailed financial and pricing models have been prepared, substantiating the proposed pricing structure (and forecast revenues relative to the quantum of the intangible asset) which has also been carefully sense-checked against detailed multi-year records and knowledge of legacy pricing.
Liquidity risk		
Liquidity risk is the risk that the Group does not have sufficient cash to meet its financial obligations as they fall due, particularly due to timing challenges described in the 'Order Intake Cycle' risk and the 'Cashflow Profiles' risk below.	The Group may not be able to meet its contractual obligations to customers or make payments when due to suppliers, employees, tax authorities and other stakeholders.	The Directors regularly review the Group's forecast working capital requirements, cash flow, current borrowing facilities and other funding options available to the Group. This analysis includes scenario testing of adverse factors and 'reverse stress testing' of the Group's cash flows. The Directors assess the sensitivities of the cashflow forecasts and consider whether there are any uncertainties that could lead to the cashflow forecasts becoming more adverse than in each modelled scenario. The Directors also consider the availability and likelihood of potential mitigants (overdraft facility extensions and equity placings) should the need arise.

Order Intake cycle		
With a customer base of major defence contractors and government departments, the acquisition of Pennant's products and services can be a lengthy process. On larger 'engineered-to-order' programmes, it can take years from the initial customer request for a proposal to the award of a contract to Pennant. Such lengthy timelines can be a product of the prescribed procurement process itself and/or delays 'up stream' on a prime contract. Furthermore, the Strategic Defence Review in the UK has seemingly delayed several potential programmes pending its findings and recommendations.	With such long timelines to win major contracts (and related risks of delays within that timeline), it can be difficult to win sufficient work within a particular period, meaning challenges on revenue expectations and the management of resources.	The Group follows diligently the prescribed processes in order to win contracts, and engages at all relevant levels to understand, shape and secure the work. However, there is a limit to Pennant's ability to accelerate awards, given the OEM and defence department constraints which inevitably apply to such processes. The restructuring of the Training Systems segment referred to in the CEO Report was implemented in order to reduce fixed costs in that unit, thereby reducing the impact of delays in order intake, while retaining core skills and the ability to scale up as and when orders are received. The most important mitigant is the Group's efforts (over a number of years, and which continue) to build up a solid base of recurring and repeatable software and services revenues with a view to these revenues forming an increasing proportion of the Group's overall turnover and thereby mitigating reliance on, and exposure to, the timelines of the procurement process on larger defence projects. The launch of the Auxilium suite is a key pillar of this strategy.
Contract risk: cashflow profiles		
The Group's turnover, profits and cashflows, particularly in the Training Systems segment, can become significantly dependent on the timely delivery of a small number of high-value contracts.	If delivery of such contracts is delayed, it can cause significant financial effects on the Group (particularly when judged by annual reporting). Delays on delivery lead to a negative perception amongst stakeholders that the Group's business is inconsistent and prone to 'lumpy' revenues. Large contracts generate significant working capital demands which, if they cannot be met, can jeopardise delivery of the contract (and continuance of the business generally).	The Group always seeks to negotiate cash-neutral or cash-positive payment milestones such that contractual programmes of work are largely self-funding. Where this is not possible, the Group has access to overdraft facilities with its bankers to fund working capital requirements. The Company can (and has evidenced an ability to) utilise its status as a public company to raise funding on the equity capital markets. The Group is constantly seeking ways to enhance its recurring revenues (to increase profitable turnover generally and to mitigate the effects of 'lumpy' contracts).The targeted expansion of the Group's software and services offerings is a natural mitigant to the reliance on, and risks of, high-value engineering programmes. The Group employs qualified and experienced programme managers to manage delivery (including cost and risk) on all projects supported by a dedicated Commercial function. The programme managers, in turn, regularly report to the Group's senior management.

Contract risk: pricing and delivery		
The Group's key contracts are often on a fixed price with a fixed delivery timeline. The Group will contract on fixed prices on 'engineered-to-order' projects (e.g. for a platform-specific training aid or bespoke software development), where it has not previously designed and delivered the required product before. This creates a risk of mispricing a contract. Where a project has been keenly priced, any delays may cause budgets to become very strained.	A mispriced contract, even if delivered in compliance with its terms and timeline, can result in the Group failing to realise the desired profit on carrying out such work, with an associated negative impact on the Group's overall financial performance. A delay or failure to deliver a contract may result in reputational damage to the Group and entitle the customer to claim compensation (including, on some contracts, liquidated damages).	Considerable analysis and effort is applied in pricing each 'engineered-to-order' contract to ensure that all likely work and costs required to deliver that contract are reflected in the price. High-value contract bids are only released once approved through a 'gated' bid management process in accordance with written delegated authority framework. The Group employs qualified and experienced programme managers to manage delivery (including cost and risk) on all projects supported by a dedicated Commercial function. The programme managers, in turn, regularly report to the Group's senior management. Where elements of a programme are to be outsourced, the Group is careful to deal with trusted suppliers with a track record of performance, wherever possible.
Customer dependencies		
In delivering its 'engineered-to-order' programmes, the Group is often dependent on the provision of data from its customers and, in some cases, third parties. The required data may not be available (because it has not yet been created or distilled into writing) or a third-party data owner may be unwilling to release the data.	If data is not received when required, and a programme is delayed, it may impact the Group's ability to progress the programme, render invoices and recognise revenue. Data delays may lead to inefficient working and unbudgeted costs. In very serious cases, the delivery of the programme itself may be jeopardised.	This can be a difficult risk to manage. The importance of timely data flow to the Group is advised to customers at an early stage. The risk is always flagged to the customer in pre-contract negotiations, with a contractual dependency then placed on the customer to ensure the provision of the necessary data. The Group monitors the provision of data during the programme and is always alive to the risk of data flows drying up. The Group will negotiate the right to extensions of time and/or compensation where its contract delivery is impacted by data delays. If a programme ultimately terminates due to this risk eventuating, the Group will have a right to payment for work done until termination.

Legal and compliance risk		
Due to the sectors in which it operates, the Group is subject to considerable legislation and regulation. In operating globally, the Group is subject to the laws of relevant foreign jurisdictions. For example: in selling its training systems overseas, the Group must comply with UK export control laws; in receiving and using certain data, it must comply with the US ITAR regulations; in designing its hardware trainers, it must comply with various EU and UK safety laws.	Failure to comply with relevant legislation and regulation may result in the Group being unable to sell its products. The Group and its officers may be found criminally liable for breaches of foreign legislation and/or face civil penalties. Serious breaches of health and safety law may result in the Group's operations being suspended.	The Group has an experienced Commercial team with considerable export expertise. The Commercial & Risk Director is a qualified lawyer and provides legal advice to the Group as appropriate. External legal counsel (both UK and overseas) are retained, together with safety and compliance advisers to augment its internal quality and health & safety team. Internal programmes for training and awareness of key risks areas are in place (e.g. health & safety legislation; cyber security and data protection).
Information systems and security		
The Group's operations are heavily dependent on the availability and security of its IT systems. A diverse range of software platforms and applications are needed to deliver the Group's contracts.	If key systems are unavailable, the Group's delivery of customer contracts may be delayed or prevented, with consequent potential adverse effects on revenue. The 'hacking' of, or a successful cyber-attack against, the Company's systems leads to serious negative reputational and contractual consequences, as well as regulatory breaches.	The Group has dedicated IT personnel in all regions tasked with ensuring the security and availability of the systems. The Group follows best practice as regards IT security and has industry standard accreditations. The Group assigns considerable budgets and internal effort to solutions for protecting its IT environments, and protecting its (and its customers') data.
Managing resources		
Given the 'Order Intake' risk described above, planning for and securing the right resources at the right time is a challenge. The Group needs staff with a wide range of specialist technical skills, including engineering and software design and programming. Subject matter expertise is required in various areas and the pool of people with the appropriate skills is inherently limited. Specialist skills and a relatively small workforce can give rise to 'single points of failure'.	If the Group is unable to secure the necessary human resources, the timely delivery of its contracts may be jeopardised, with potentially negative effects to revenue and profit. Conversely, resources may be over-provisioned or secured at the wrong time, incurring unnecessary costs/allocating capital which might be used elsewhere.	The Group carefully monitors resourcing plans and utilisation levels. Employee training and development is prioritised in technical areas so that skills gaps can be filled internally. Cross-skilling and sharing of internal resources is encouraged and actively managed (e.g. with software engineers from the Training Systems teams being deployed on Auxilium). This is intended to reduce and if possible eliminate the risk of single points of failure. Specialist search and recruitment firms are used when needed (together with professional networks) to source niche skill sets. The Group has actively managed its real estate, disposing of surplus freehold properties as described in the CEO Report.

About Pennant

Founded in 1958, Pennant has evolved over the past eight decades, from modest beginnings, into a market-leading technology-led software and services business with a truly global customer base.

The Group operates principally in the areas of civil and military aviation, defence, space and rail with customers including global defence primes, government departments, overseas aviation colleges, and rail operators.

We are confident that the supportive strategic backdrop for our products and services point towards significant potential for growth:

- we have few competitors that can provide our end-to-end solutions and services, and there is more we can do for existing customers and for many customers in existing areas who need our services;
- increasing global investment (land, naval, air, rail) means platforms are becoming more sophisticated and complex, thereby increasing the requirement for specialist technical training and integrated product support;
- the use of 'real' equipment for training has safety implications, is expensive and often impractical, which is driving the use of technology whilst supporting the environmental agenda;
- there is a continuing trend for defence forces and other organisations to outsource training and integrated product support services, including updating their training devices and managing their data;
- the movement to performance based contracts has pushed the responsibility of operational availability modelling and costing onto the OEM's;
- the integrated product support process and the management of data is becoming ever more critical and the cost and complexity of programs is increasing; and
- from a global perspective the uncertain global outlook is driving commitments to increase expenditure in defence, the aviation sector is starting to return to pre-pandemic levels and delayed investments in sectors such as rail are returning.

Pennant has a diverse portfolio of technology-based training solutions and integrated product support capabilities that enables it to offer a wide range of solutions to both the defence and regulated civilian sectors and is ideally placed to take advantage of the trends outlined above.

The Group has offices worldwide: in the UK (with its head office sites in Cheltenham and offices in Manchester and Fareham), Australia (in Melbourne and Wagga Wagga), Ottawa in Canada and an office in the US (Boston).

The Company was admitted to trading on the AIM market in 1998 and has traded as a public company ever since.

Products and Services

Pennant is a market leading provider of systems support and training solutions to defence departments and major OEMs world-wide to maximize operational and maintenance efficiency.

Auxilium - Systems Support Software

Pennant owns a market leading suite of software products that integrate together to create an end-to-end solution – Auxilium.

What is Auxilium?

Auxilium

Integration
Common data repository - Single source of truth that ensures traceability and integrity, that support a range of global standards & specifications

Configuration
Logistic Support Analysis (LSA) improves the availability and reliability of systems, by ensuring that maintenance and support are well-planned to optimize cost

Analysis
Model-based supportability and analysis tool to make informed decisions for an asset's life cycle support solution

Authoring & Publishing
For rapid creation of S1000D and ATA Technical manuals, published in PDF or IETP

Maximizing operational efficiency

The core software products within the Pennant toolbox are as follows:

- **GenS Product Suite** which is a logistics support analysis software used worldwide by major defence contractors and by the defence authorities in Canada and Australia to maximise efficient logistical support on complex long-life assets.

- **Analyzer toolkit** which is a fast, accurate and user-friendly optimisation tool. It identifies preferred product sustainment strategies through options analysis and supports operational readiness at an affordable life cycle cost.

- **R4i product suite** provides its users with a dynamic, S1000D-compliant publication solution. The R4i solution is licenced software and provides related support, maintenance and consultancy services.

The Group's software development and investment continues to be focused on the integration of Pennant's three core applications - GenS, Analyzer and R4i – being integrated, into one holistic solution – Auxilium, which will provide users with a powerful market-leading toolset to manage, model and utilise vast amounts of systems data in an end-to-end solution.

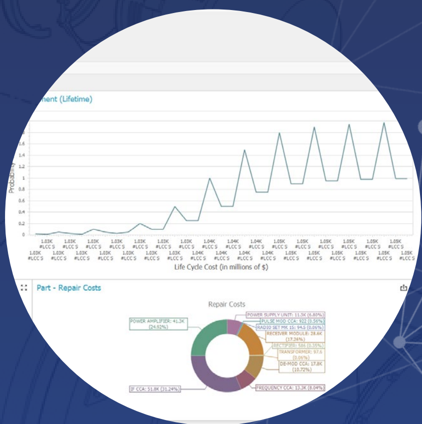
Why Auxilium?

Alignment to international standards and specifications, comply with industry regulations and standards.

Reduced Costs, minimise downtime, reduce spare parts and inventory costs and optimise resource allocation.

Maximizing operational efficiency, reduce unexpected breakdowns and extend the lifespan of your assets.

Intelligent Data-Driven Decisions, make informed decisions to optimise your support strategies.



Technical Services

Pennant provides expert services to support users of Pennant or third party solutions in regulated sectors.

From Training Needs Analysis Development to final disposal, Pennant can plan, implement and manage every stage of a support life cycle.

Pennant's dedicated technical teams have a core level of qualified and experienced subject matter experts, providing us with the skills and knowledge to establish Pennant's reputation for delivering highly professional, reliable and cost-effective technical services.

Pennant has a proven track record in providing technical services across a wide range of sectors and around the globe.

Technical services capabilities include:

1. Training needs analysis (TNA)
2. Courseware development
3. Software development
4. Technical publications, IETMS, S1000D etc.
5. Studio services - 2D & 3D design / models, VR media development, film and media production, laser and video scanning, E-learning and CBT, illustration, authoring, copywriting and translation
6. Competency mapping to EASA, EMAR, City of Guilds etc.
7. In service support
8. Preventative and corrective maintenance
9. Instruction and training delivery
10. Rail survey services
11. Consultancy, spares and obsolescence management
12. Dismantling and disposal
13. Integrated logistic support (ILS) services and planning

Training Solutions

Engineered Solutions & Generic Products

An established supplier to the UK Ministry of Defence (MoD) and other major defence contractors, Pennant has a proven capability in the design, development, manufacture and delivery of training solutions including:

- Translating and developing a training requirement into a deliverable product
- Providing Subject Matter Expertise in specialist and technical areas, Virtual Reality (VR), Augmented Reality (AR) & 3D walk-through applications
- Hardware & software based Part Task Trainers (PTT)
- Hardware & software based simulators for Operators and Maintainers

Pennant equipment offers a modern, blended training solution enabling ab-initio students to benefit from a suite of modern, generic, and bespoke training aids offering operation and maintenance savings and improved safety outcomes. These training aids complement training on real equipment and include basic hand skills devices, virtual reality trainers and maintenance emulators for regulated sectors.

Pennant has a wide range of generic products based on real or simulated equipment interfaced with software emulations and instructor control facilities. Ranging from basic hand-skills training aids to complex multi-function simulators, these devices provide an end-to-end training solution for non-type specific training requirements.

In addition to the suite of generic training products, Pennant has an experienced team of systems engineers that analyse, design, and manufacture bespoke engineering solutions to satisfy specific training needs. This equipment can be platform specific or custom-built, and can include simulators, part-task trainers, and procedural trainers for both defence and civilian customers.

Case study - Australian Defence

Client Need:

Defence Australia ('DA') needed to improve efficiencies and reduce costs through the better management of equipment relating to the operation of their air platforms.

Pennant's Solution:

Pennant provided its configuration management software to manage the platform data.

Result:

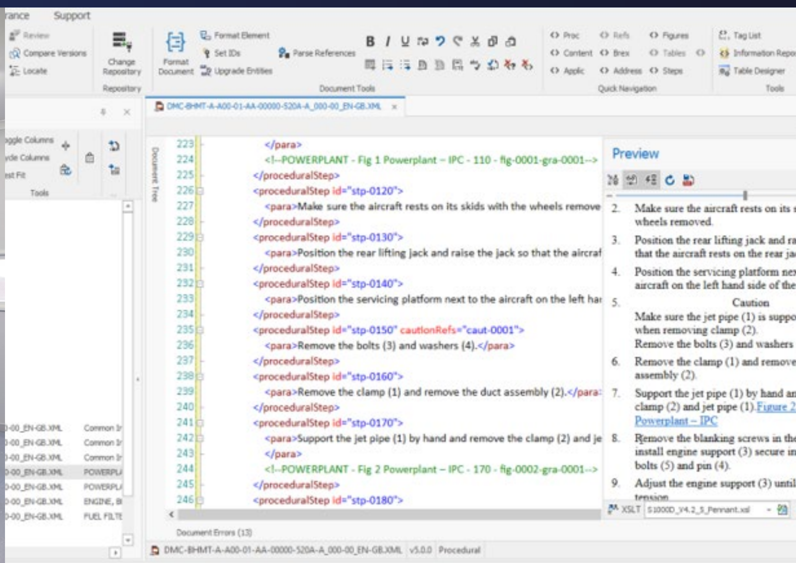
Pennant software is now embedded with the client - We have subsequently installed a suite of training systems (circa £10.0m) and supplied our technical documentation software alongside professional authoring services.

Opportunity:

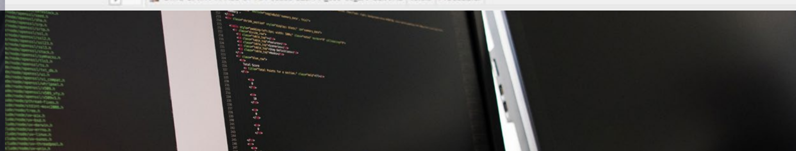
We are in negotiations to enhance the training system capability, upgrade the DA database and documentation software to a subscription basis model.

Longevity of Client:

DA has been a client since 2003 and services are contracted until at least 2027, with the aim of extending this until 2033. Annual recurring software and services revenues from Australian Defence currently total £1.75m.



Australian Government
Department of Defence



"Pennant's ongoing support in the design, development and maintenance of innovative training assets continues to be a major factor behind our continued success."

- BAE Systems Australia

Environmental, Social & Governance

At Pennant we believe that a commitment to the principles of Environmental, Social and Governance (ESG) not only makes good business sense for us and our key stakeholders, but also complements our business strategy.

Environmental

We recognise the need to minimise our environmental impacts and take great pride in the measures and solutions we take to support our environment and tackle climate change. Pennant remains committed to our sustainability work and understands it is essential to protect the planet. In our framework on our Company website (www.pennantplc.com) you can read about how we are doing this through our product, suppliers, electric vehicles, light and water.

Social

We aim to deepen relationships with our key stakeholders by investing in our employees and partnering with our customers, communities, investors and suppliers. We focus on creating the right workplace culture in which employees feel valued, respected, empowered, and inspired. The Group is committed to creating a positive impact in the global communities and the regions we operate. We recognise the significance of enhancing these communities, fostering local connections, and striving to make them better places for all. In our framework you can read about talent development, benefit and wellness, community involvement and more.

Governance

Not only is it legislation but we have a high set of standards we expect all our colleagues to work to when trading responsibly and enforcing good practice. Through a number of Group policies we are addressing: Economic Inequality, Cyber Security, Human Rights & Modern Slavery Acts, as well as Suppliers and Responsible Trading. In our framework read about Section 172, our commitment and the Board.

Volunteering

Pennant employees are entitled to two paid days of volunteering leave each year. Volunteering is a powerful force for positive change, and the scheme supports charities, local communities, and individuals in need. It not only benefits others but also enriches our staff by fostering connections, enhancing skills, and promoting well-being.

Pennant's ESG Framework is available on our website here:
https://www.pennantplc.com/esg/

Volunteering Story:

Making a Difference, One Meal at a Time

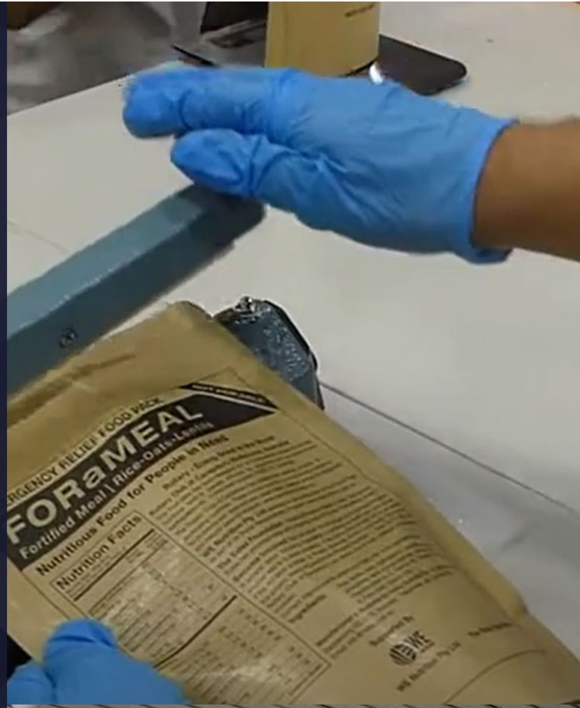
FORaMEAL, a project by the Rotary Club of Canterbury, provides emergency meals to those affected by natural and other disasters. Each year, they distribute meals free of charge to vulnerable individuals and families worldwide.

During the Stage 4 COVID-19 restrictions in Melbourne, they redirected part of their FORaMEAL efforts to support the most vulnerable locals, providing over 200,000 meals. In June 2024, an additional 110,000 meals were provided to Food Bank Victoria for distribution by their front-line charity partners to help feed and meet the nutritional needs of many facing financial difficulties due to the current cost of living increases.

On August 22, 2024, a Pennant Melbourne team of four decided to lend a helping hand, and use of their two days volunteering leave to support FORaMEal. Colleagues arrived at Camberwell Grammar School at 2:00 PM to set up production lines. Each line included lentils, oats, rice, and sachets of essential vitamins and minerals. Their task was to fill the packs, weigh and heat seal them, and then box them up. Each pack provides a balanced and nutritious meal for 5-6 people! By 3:00 PM, several production lines were in full swing, and by 6:00 PM, the truck was loaded with over 20,000 meals.

One of our Pennant colleagues, Pamela Knyvett shared, “This was an amazing opportunity to help those in need, and I am looking forward to being involved again. I really enjoyed being part of this activity and appreciated how much could be achieved when everybody works together. Sharing this experience with my Melbourne colleagues was also very special.”

Together, we can make a difference!



Section 172 Statement

- This section serves as our section 172 statement and should be read in conjunction with the rest of the Strategic Report set out on pages 4 to 28 (inclusive).

- The Directors are fully aware of their duty to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

- Section 172 of the Companies Act 2006 requires Directors to take into consideration various matters including the interests of certain stakeholders in their decision making.

- Board decision-making primarily takes place at Board meetings via full and open discussions facilitated by the Chair and with reference to Board papers prepared and circulated in advance of the meeting. Where possible, decisions are reached through consensus or, where this is not possible, a vote. The key points of any decision are captured in Board minutes and, where applicable, incorporated into the Group's Integrated Business Plan (IBP).

- With a view to supporting such decision-making, the Company maintains a written policy statement (with a periodic review cycle) which sets out its key business relationships including customers and suppliers, as well as insurance and advisory engagements, and how the Company approaches its relationships with these parties.

- The Company's strategy is focused on realising long-term profitable growth for the benefit of all stakeholders. To ensure that this overriding objective is kept in mind, the strategy exists as a written, Board-approved document (containing multi-year targets) and the specific actions which underpin its implementation are recorded within the IBP. Decisions can then be taken with this long-term view in mind and with reference to the effects or relationship with existing actions in the IBP. The CEO Review on pages 10 to 11 contains further details on the strategy and its implementation.

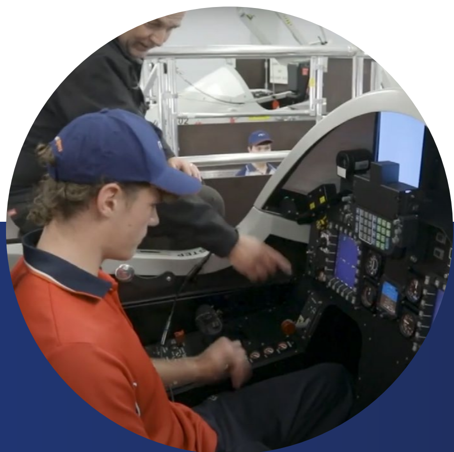
- The following bullet points provide some detail as to the approach taken in relation to key matters and stakeholders.

  - **Shareholders:** Investors are at the centre of all financial discussions including equity, distributions and corporate finance, with the Board taking advice from the Company's nominated adviser and its corporate lawyers as appropriate. As examples during the period: the decisions as to non-payment of a dividend, and the continued internal investment in the Auxilium software suite.

    Led by the Chair and CEO, the Company is active in engaging with its investors, holding periodic meetings, calls and an open Q&A at the AGM. Fairness between investors is prioritised during such engagements, and presentations are made available on the Company's website so that all investors can view them.

  - **Customers:** customers are integral to the Company's business with the customer experience sitting at the centre of our Integrated Business Plan outlined on page 16. Often working together on long-term multi-year programmes, the Company endeavours to build strong relationships with its customers at every level and is undertaking several strategic initiatives aimed at improving our customers' experience.

    The Board places a significant premium on the Group's reputation for quality and gives its full support to the maintenance of the Group's ISO9001 status.



- **Employees:** without employees, there is no business. The Company's approach to the interests of its employees is detailed on page 43 of this report, explaining how the Company has sought to engage with, and properly take account of, its valued employees. The Group's culture and related behaviours are driven (and closely monitored) by the Board, with employee feedback (via staff suggestion schemes, employee surveys and other channels) being delivered to the Board periodically.

- **Suppliers:** the Group works closely with its suppliers, and has a core cohort of trusted partners. The Group is committed to fair dealing with its suppliers, including meeting agreed payment terms, and favours building lasting relationships.

- **Community and environment:** the Board is mindful of the Group's impact on the environment and the communities within which it operates. The Group has implemented various recycling, energy usage monitoring and waste reduction programmes, incentivises electrical vehicle use and tracks products which may need safe disposal in the future. Community engagement is highly regarded at Board level, with apprenticeships, work experience and science fairs all supported.

In addition, the Commercial & Risk Director (as a practising solicitor, with substantial company law experience) is available to provide guidance to his fellow Board members as to the substance of the duties in question.

Approved by the Board on 23 April 2025
and signed on its behalf

P H Walker
Director

Governance

The Group is committed to good corporate governance and this section of the annual report details the Group's current governance arrangements.

Corporate Governance Review

The Board

The business of the Group is ultimately managed by the Directors of Pennant International Group plc, who are responsible for running the Group for the benefit of its shareholders in accordance with their fiduciary and statutory duties.

The Board is led by the Chair, who is responsible for the Group's corporate governance arrangements and who ensures that all members of the Board are able to contribute to Board discussions and decision-making. All Directors acknowledge their collective responsibility and legal obligation to promote the best interests of the Group.

The effectiveness of the Board is kept under review by the Chair, and the Group's nominated adviser is able to attend Board meetings to review the Board in action and the contributions of its members (with any feedback being shared with the Chair). The Chair also regularly solicits feedback on Board effectiveness from the nominated adviser, institutions and other shareholders. Feedback indicates that investors remain supportive of the Company's strategy and approach, with no proposals received that efforts ought to be targeted elsewhere.

Succession planning for the Board is kept under review by the Chair having regard to the current composition of the Board and taking into account corporate governance guidelines and business requirements. In matters relating to the Chair's succession, the lead is taken by the other independent Non-Executive Directors, consulting with stakeholders as appropriate.

In discharging its duties, the Board is supported by three standing committees (the "Committees"): the Audit & Risk Committee; the Remuneration Committee; and the Nominations Committee. The Terms of Reference for each of the Committees are available on the Group's website (www.pennantplc.com/investors) and a summary of their respective functions is provided below. The Terms of Reference for each of the Committees are approved by the Board, with the last update being in September 2024.

The Board has four Non-Executive Directors and three Executive Directors. The Board considers that all of its Non-Executive Directors are independent.

The Group has a written strategic plan to expand the business with a view to growth in shareholder value. This strategy is kept under review by, and evolves under the guidance of, the Board. The key challenges in implementing the Group's business model and strategy are documented on pages 18 to 22.

The Board typically holds six or seven scheduled meetings per year plus Committee meetings. The Group's corporate governance arrangements are explained in more detail on the governance pages of the Group's website:
https://www.pennantplc.com/investors/

The Directors

Ian Dighé

Mr Dighé is an independent Non-Executive Director and is the Company's Chairman. He was appointed to the Board on 7th February 2024. Ian chairs the Nominations Committee.

Ian has significant listed company and City experience, gained throughout his executive career with a particular focus on the investment banking, corporate broking, asset management and closed-end funds sectors. In addition, he is experienced in developing boards and senior management teams.

Ian was a co-founder of Bridgewell Group plc and Chairman of Miton Group plc from February 2011, overseeing the successful refinancing and subsequent growth of the group, before he retired from the Miton board in December 2017.

He is currently Chairman of The Investment Company plc and an independent director of Seneca Growth Capital VCT plc.

Jon Kempster

Mr Kempster is an independent Non-Executive Director who was appointed to the Board on 18th July 2024. He is a chartered accountant (ACA) who trained with Price Waterhouse and holds a BA (Hons) in Business Studies. He has over 25 years in the Boardroom of industry-leading FTSE-listed plcs, including Linden Homes, Low & Bonar, Wincanton, and Frasers Group.

Jon is currently a Non-Executive Director of AIM quoted Norman Broadbent plc, Cambridge Cognition plc and Synetics Plc. He is also a Director of Delta Pension Nominees Limited.

Jon chairs the Audit & Risk Committee and is a member of the Nominations Committee and the Remuneration Committee.

Klaas van der Leest

Klaas van der Leest is an independent Non-Executive Director who was appointed on 3rd September 2024.

Mr van der Leest is currently Chief Executive Officer of Intercede Group PLC, an AIM-quoted cybersecurity business which has seen revenue growth of 100% since his appointment in 2018. Prior to Intercede, he was Managing Director at Intelecom UK Ltd, an independent private equity-backed communications SaaS business, leading the organisation's transformation, and trebling subscription licence sales over a three-year period.

Mr Van der Leest has held various other senior executive positions for UK technology businesses with a focus on product development and sales strategies.

Klaas is a member of the Audit & Risk Committee, the Nominations Committee and the Remuneration Committee.

Deborah Wilkinson

Ms Wilkinson is an independent Non-Executive Director who was appointed to the Board on 1st February 2023. She is a chartered accountant (FCA) who trained with Deloitte and holds a BEng (Hons) in Mechanical Engineering.

Ms Wilkinson has held various financial and commercial leadership roles with a range of businesses and has extensive experience in the defence aviation sector with Airborne Systems Group and IrvinGQ Limited.

Deborah is currently a non-executive director of Compound Semiconductor Applications Catapult Limited

Deborah is chair of the Remuneration Committee and a member of the Audit & Risk Committee and the Nominations Committee.

Deborah will retire as a director at the 2025 AGM.

Philip Walker

Mr Walker is the Group's Chief Executive Officer. He was appointed to the Board on 3rd November 2014 as Chief Financial Officer, being promoted to CEO in February 2017. Mr Walker is a chartered accountant and qualified Corporate Finance professional.

Since joining Pennant, Mr Walker has brought his experience to bear in driving the review, renewal and implementation of Group Strategy. He originated and implemented the strategy to transition the company from a primarily project-based and capital-intensive operation to a high margin software and technical services business.

Prior to joining the Company, Mr Walker worked for Grant Thornton UK LLP and Barclays Bank Plc. At Grant Thornton, he led numerous corporate finance transactions (both buy side and sell side) and developed and implemented strategic plans for a number of businesses. While at Barclays, Mr Walker worked with businesses with a turnover of between £5 million and £50 million, focusing on debt structuring, including working capital, investment, trade finance and the restructuring of facilities. He provided structuring advice on various types of corporate transactions.

Since joining Pennant, Mr Walker has brought this experience to bear in driving the review, renewal and implementation of Group strategy.

Mr Walker is responsible for the day-to-day running of all Group businesses and the execution of Group strategy.

Darren Wiggins

Mr Wiggins is the Group's Chief Financial Officer. He was appointed to the Board on the 20th November 2024.

Mr Wiggins is a chartered accountant with over 20 years' experience, having previously held senior executive positions in finance and operational roles. Prior to Pennant, Mr Wiggins worked for Meggitt Aerospace and Melrose plc.

As CFO, Mr Wiggins is responsible for the day-to-day financial management of the Group and leads the relationships with its auditors, bankers and tax advisors.

David Clements

Mr Clements is the Commercial & Risk Director. He joined the Group in June 2017 and was appointed to the Board in October 2017.

He is a practising solicitor with extensive experience in corporate and commercial law and practice, gained advising AIM-quoted and private companies particularly in the engineering, manufacturing and software sectors. Prior to joining Pennant, he was with the law firm Charles Russell Speechlys.

As Commercial & Risk Director, Mr Clements is responsible for commercial, risk management, administrative and infrastructure functions across the Group.

Mr Clements also acts as Company Secretary to all Group companies, advising the Chair on corporate governance matters and being available as a 'sounding board' for other Directors. Mr Clements works closely with the Company's nominated adviser to ensure proper management of investor relations, company law and AIM compliance. He is experienced on public company regulatory compliance and Takeover Code matters.

Maintaining the Board's Skills

The Directors acknowledge their responsibility to maintain their skills, knowledge and competences. For example, Directors complete appropriate 'continuing professional development' in support of their respective professional qualifications and attend forums and briefings organised by trade bodies and others on industry developments and wider changes.

Prior to any appointment being made to the Board, any prospective Director is subject to a full due diligence exercise conducted by the Company's nominated adviser which addresses such issues as experience, skills and competences (as well as vetting for adverse court judgements and disqualifications).

The Board will seek guidance from external advisers when appropriate and regularly obtains independent legal, tax and financial advice. For example, during the period, the Directors obtained extensive professional advice in respect of a potential acquisition and fundraising via a placing.

Based on the skills and expertise highlighted in the profiles of each Director above, the Board is confident that it has the necessary mix of capabilities, experience and personal qualities to deliver the Group's strategic objectives.

The Committees

Audit & Risk Committee

The Audit & Risk Committee's role is to determine and apply policy on behalf of the Board to the financial reporting, internal controls and risk management framework of the Group and to maintain an appropriate relationship with the Group's auditors.

The Committee comprises Jon Kempster (as chair), Debbie Wilkinson and Klaas van der Leest. It typically meets at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.

Given the nature of the Group's business, the Committee pays particularly close attention to reviewing and discussing with the external auditors the management's judgements on the application of revenue recognition policies in relation to material projects as well as carefully reviewing matters relating to the valuation of the Group's assets and its status as a going concern.

The Group does not engage its auditors for non-audit services.

Remuneration Committee

The Remuneration Committee's role is to determine and apply policy on behalf of the Board to the remuneration and benefits of Executive Directors and to ensure compliance with best practice (including reporting to shareholders). The Committee comprises Debbie Wilkinson (as chair), Klaas van der Leest and Jon Kempster.

During the year, the Committee, operating under its Terms of Reference, discharged its responsibilities, including determining and agreeing with the Board the framework or broad policy for the remuneration of the Group's Chief Executive Officer, Chair, the Executive Directors, the Company Secretary and such other members of the Group's Executive management as it is designated to consider.

The Committee also reviews and approves the Executive Directors' proposals (if any) following annual review of employee pay and benefits.

Nominations Committee

The Nominations Committee's role is regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.

The committee was formally constituted on 19 September 2024, prior to which the consideration of any prospective nominations was a matter for the full Board.

Attendance

Directors are required to devote such time and effort to their duties as is required to secure their proper discharge and, for Non-Executive Directors, this typically entails up to two days of meetings per month as well as reading and preparation time. A full pack of management information (in consistent, agreed form) is provided to the Board in advance of every meeting. Each Executive Director has a full-time service agreement.

Directors' attendances at meetings of the Board and its Committees during 2024 were as follows:

	Board	Audit & Risk Committee	Remuneration Committee	Nominations Committee
P Walker	10/10	-	-	-
D Clements	10/10	-	-	-
P Cotton (resigned 17 July)	6/6	1/1	-	-
M Brinson (resigned 13 August)	7/7	-	-	-
D Wilkinson	10/10	3/3	2/2	-
I Dighé (appointed 7 February)	10/10	3/3	2/2	-
J Kempster (appointed 18 July)	4/4	2/2	2/2	-
K van der Leest (appointed 3 September)	3/3	1/1	2/2	-
D Wiggins (appointed 20 November)	1/1	-	2/2	-

Compliance with Corporate Governance Codes

The Company has adopted the QCA Corporate Governance Code and a detailed statement of the Company's compliance against the code (together with references to supporting material) is provided on the Group's website: www.pennantplc.com/investors.

Operational Governance

Day-to-day running of the Group's business is delegated by the Board to the Executive Directors led by the Chief Executive Officer.

The Executive Directors have established a management and reporting framework across the Group, overseen by an Executive Committee comprising the Executive Directors together with the regional managing directors, the Business Development Director and the Chief Product Officer.

Following its approval by the Board during the period, the Group's three-year plan is being implemented by the Executive Committee through the various operating units of the Group. Clear channels are in place, with a structured meeting cycle, for the exchange of information from the Group's operating units to the Executive Directors and the Board and for the reciprocal provision of direction.

Key performance indicators (at both a contract and functional level) are reported monthly, providing visibility and accountability across the business leading to better products and services for customers, allowing effective risk management, and ensuring the Group retains its quality accreditations. The KPIs focus on four key themes: people; customer delivery & experience; growth & order intake; financial performance.

Financial Control

The Board has overall responsibility for the Group's system of internal financial control and for reviewing its effectiveness. The purpose of the system of control is to manage rather than eliminate the risk of failure to achieve business objectives and it can only provide reasonable, but not absolute, assurance against misstatement or loss.

The Executive Director within the Group responsible for day-to-day financial management of the Group's affairs is the Group's CFO, Darren Wiggins, under the supervision of the Audit & Risk Committee.

The Executive Directors participate in and provide information and support to the Audit & Risk Committee as and when the Committee so requests.

Remuneration Committee Report

On behalf of the Board, I am pleased to present the Remuneration Committee Report. This sets out our Directors' Remuneration policy and its implementation including amounts earned by Directors in respect of the year ended 31 December 2024. In framing the remuneration policy, the Remuneration Committee is aligned with principle 9 of the Quoted Companies Alliance ("QCA") Code to ensure that our remuneration policy both reflects our strategy and is aligned with shareholders' interests.

As the Company is quoted on the AIM segment of the London Stock Exchange, the Directors are not required to prepare a Remuneration Committee Report for each financial year and so Pennant makes the following disclosures voluntarily which are not subject to audit.

The Remuneration Committee has formal terms of reference which can be found in the 'Investors' section of the Group's website, which are reviewed and approved annually by the Board. The Committee makes recommendations to the Board, within its terms of reference, on the remuneration and other benefits including bonuses and share options, of the Executive Directors.

The Remuneration Committee is composed entirely of Non-Executive Directors. The CEO may be invited to attend as and when appropriate and necessary but is not present during discussions relating to his own remuneration.

Remuneration Policy

The total remuneration package for executive directors is intended to incentivise and reward fairly to meet the growth and strategic goals of the Group whilst recognising the Group's current position.

Basic Salary and benefits

Basic salaries for Executive Directors are reviewed annually and the policy is to pay salary at market levels for comparable jobs with due consideration of the size of the Group and the sector in which it operates. Benefits may include provision of a company car, medical insurance and life assurance and contributions to a Group Personal Pension Scheme.

Annual Bonus

A contractual bonus is awardable in respect of each financial year, the quantum of which is at the discretion of the Board, having considered the recommendations of the Remuneration Committee. The maximum bonus awardable is currently capped at 50% of basic salary to reward executives' contribution to the growth in profit and achievement of objectives. No bonus was awarded in respect of the year ended 31 December 2024.

Share Options

The Group believes that share ownership by Executive Directors and employees strengthens the link between their personal interests and those of the Group and the shareholders.

The Group currently has in place an Enterprise Management Incentive ("EMI") scheme and the Remuneration Committee has discretion to make option grants to Executive Directors and selected employees subject to the applicable scheme rules and to determine appropriate performance conditions.

Service Contracts

Philip Walker and David Clements have service contracts that are terminable by either party on 12 months' notice. Darren Wiggins was appointed during the year on a service contract with a 6 month notice period.

Non-Executive Directors

The fees of the Non-Executive Directors are determined by the full Board. The Non-Executive Directors are not eligible for bonuses or share options.

Consultation with shareholders

The Remuneration Committee is committed to a continuing dialogue with shareholders, and seeks the views of significant shareholders when any major changes are being made to remuneration arrangements.

Deborah Wilkinson
Chair
Remuneration Committee

23 April 2025

Directors' remuneration (audited)

	Salary £000s	Bonus £000s	Benefits and car allowance £000s	Pension £000s	**Total 2024** **£000s**	2023 £000s
P Walker	233	-	18	23	**274**	308
D Clements	165	-	12	17	**194**	221
P Cotton (resigned 17 July)	24	-	-	-	**24**	54
M Brinson (resigned 13 August)	244[(1)]	-	9	14	**267**	190
D Wilkinson	45	-	-	-	**45**	40
I Dighé (appointed 7 February)	42	-	-	-	**42**	-
J Kempster (appointed 18 July)	20	-	-		**20**	-
K van der Leest (appointed 3 September)	15	-	-		**15**	-
D Wiggins (appointed 20 November)	22	-	1	1	**24**	-
	810	-	40	55	**905**	813

[(1)] Includes £85k of compensation for loss of office

Pension contributions shown above are pension payments into the Pennant International Group Plc Pension Scheme, a defined contribution scheme.

There were 1,589,473 share options held by the Directors in office at the end of 2024 (2023: 850,000) as further particularised on the following tables. Options were granted to Directors in the period as explained in the 'EMI Options' section below.

Service contracts

There are no Directors' service contracts (or contracts for services) with notice periods in excess of one year.

Directors and their interests (audited)

The following Directors have held office since 1 January 2024 except where indicated otherwise and their beneficial interests in the ordinary shares of the Company were as stated below:

	31 December 2024 5p ordinary shares Number	31 December 2023 5p ordinary shares Number
P Walker	140,145	73,145
D Clements	139,508	84,508
D Wilkinson	200,000	-
I Dighé (appointed 7 February)	360,000	-
J Kempster (appointed 18 July)	-	-
K van der Leest (appointed 3 September)	42,500	-
D Wiggins (appointed 20 November)	-	-

P Cotton ceased to be a Director on 17 July 2024. His shareholding at that date was 18,633 (31 December 2023: 18,633).

M Brinson ceased to be a Director on 13 August 2024. His shareholding at that date was 44,624 (31 December 2023: 44,624).

The following Directors have interests in share options of the Company as stated below:

EMI options	**2024** Number	2023 Number
P Walker	789,473	500,000
D Clements	400,000	300,000
P Cotton (resigned 17 July)	-	-
M Brinson (resigned 13 August)	-	50,000
D Wilkinson	-	-
I Dighé (appointed 7 February)	-	-
J Kempster (appointed 18 July)	-	-
K van der Leest (appointed 3 September)	-	-
D Wiggins (appointed 20 November)	400,000	-
Total	**1,589,473**	850,000

EMI Options

Philip Walker holds an EMI option over 500,000 ordinary shares exercisable at 33.5p (granted on 8 November 2022) which vests in 20% tranches linked to growth in the Company's share price. The first 20% tranche will vest upon the Company's share price trading at 57.0p for a period of at least 30 days. The vesting conditions for the subsequent tranches are also tied to achieving growth in the Company's share price with 20% vesting for every additional 5.0p achieved in the share price above 57.0p for a period of at least 30 days (20% at 62.0p; 20% at 67.0p; 20% at 72.0p and 20% at 77.0p). The performance conditions must be met within three years from the date of grant in order for each tranche of the options to vest.

During the year (on 11 December 2024), Mr Walker was granted an additional EMI option over a further 289,473 ordinary shares, which is subject to vesting conditions tied to achieving growth in the Company's share price, vesting in tranches as and when certain milestones are achieved and the share price sustained at that level for at least 30 days, as follows:

Target share price	% vesting
50p	50%
75p	25%
100p	25%

In order for the option to vest, the target share price(s) must be achieved during the three years following the date of grant (the "**Performance Period**") and to the extent that the option has not vested during the Performance Period, the rights over the unissued shares will lapse. The exercise price under the option is 28.5 per share.

David Clements holds an EMI option over 300,000 ordinary shares exercisable at 33.5p (granted on 8 November 2022) which vests in 20% tranches linked to growth in the Company's share price. The first 20% tranche will vest upon the Company's share price trading at 57.0p for a period of at least 30 days. The vesting conditions for the subsequent tranches is also tied to achieving growth in the Company's share price with 20% vesting for every additional 5.0p achieved in the share price above 57.0p for a period of at least 30 days (20% at 62.0p; 20% at 67.0p; 20% at 72.0p and 20% at 77.0p). The performance conditions must be met within three years from the date of grant in order for each tranche of the options to vest. The options lapse upon the occurrence of certain events, including the termination of Mr Clements' employment.

During the year (on 11 December 2024), Mr Clements was granted an additional EMI option over a further 100,000 ordinary shares, which is subject to the same vesting conditions and exercise price as described above for Mr Walker's option of the same date.

Darren Wiggins holds an EMI option over 400,000 ordinary shares, granted on 11 December 2024, which is subject to the same vesting conditions and exercise price as the options of the same date granted to Mr Walker and Mr Clements.

No EMI options were exercised by the Directors during the year.

Unapproved Options

No unapproved options were held by Directors during the year.

Audit & Risk Committee Report

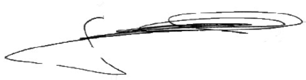
During the year, the Committee operating under its Terms of Reference discharged its responsibilities by (amongst other things) reviewing and monitoring:

- the Group's risk registers, including the effectiveness of controls and mitigations;
- the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Group;
- the methods used to account for significant or unusual transactions;
- whether the Group has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditors;
- the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the operating and financial review and this corporate governance section (insofar as it relates to audit and risk management).

The Committee has continued its monitoring of the financial reporting process and its integrity, risk management systems and assurance.

The Committee has reviewed all significant issues concerning the financial statements. The principal matters we considered concerning the 2024 financial statements were: the appropriateness of the Going Concern assessment; recognition of revenue and profit; and adequacy of working capital. We have reviewed key estimates and management judgements prior to publication of the 2024 financial statements.

Following a competitive tender process and led by the Committee, S&W Partners Audit Limited (formerly CLA Evelyn Partners Limited) were selected as the Group's new auditor and a resolution to appoint them as auditor to the Group was passed at the AGM in July 2024.



Jon Kempster
Chair
Audit & Risk Committee

23 April 2025

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2024.

General information

The parent and ultimate parent company of the Group is Pennant International Group plc (the "Company") which is a public company limited by shares, domiciled in the United Kingdom and incorporated under the law of England and Wales.

The Company's registered office address is Unit D1, Staverton Connection, Staverton, Cheltenham, Gloucestershire GL51 0TF.

Directors

The following Directors held office during the Period:

- Philip Cotton (Chair & Non-Executive Director) - resigned 17 July 2024
- Ian Dighe (Chair & Non-Executive Director) - appointed 7 February 2024
- Philip Walker (CEO)
- David Clements (Commercial and Risk Director)
- Michael Brinson (CFO) – resigned 13 August 2024
- Darren Wiggins (CFO) – appointed 20 November 2024
- Deborah Wilkinson (Non-Executive Director)
- Jonathan Kempster (Non-Executive Director) – appointed 18 July 2024
- Klaas Van Der Leest (Non-Executive Director) – appointed 3 September 2024

Principal activities

The principal activity of the Company is the provision of management services to the Group.

The principal activities of Group companies during the year were the supply of integrated training and support software and solutions, products and services, principally to the defence, rail, aerospace and naval sectors and to Government Departments.

Dividends

No dividends were paid during the year (2023: £NIL). As highlighted in the Chair's Statement, the Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2024.

Going Concern

The Directors have undertaken an assessment of the future prospects of the Company and its subsidiary undertakings (the 'Group'), taking into account the Group's current position and principal risks. This review considered both the Group's prospects and also its ability to continue in operation and to meet its liabilities as they fall due over the eighteen-month period (review period') following approval of these financial statements.

The Directors have prepared cash flow projections to 31 December 2026 to support their decision to use the going concern basis and these projections rely on future cash flows from new business which is not yet secured and for which timings are uncertain. 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 – scenarios under which the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Consideration was also given to the decisive actions undertaken during 2024 to restructure the cost base of the Training Systems segment, removing circa £2 million of annualized cost from the business, post balance sheet events have served to strengthen the future cash flow – namely the sale of surplus UK land & buildings for gross proceeds in excess of £2 million as well as the renewal, in April, of its overdraft facility for a further 12 months. Furthermore, should the Group not achieve budgeted revenue projections, management would look to address its cash costs and/or raise capital from a number of different funding options.

For these reasons, we continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Research & Development

Research and development expenditure within the Group (involving the continued development of hardware and software products of which a proportion has been capitalised) amounted to £1.3 million (2023: £1.4 million).

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.

Treasury operations and financial instruments

The Group operates a centralised treasury function which is responsible for managing liquidity, interest and foreign currency risks associated with the Group's activities.

The Group's principal financial instruments are cash, contract assets, trade receivables and payables, the main purpose of which is to provide finance for the Group's operations.

The Group does not typically enter into derivative contracts, such as agreements to buy or sell foreign currency at a future date. Any such contract requires the approval of the Executive Directors.

Given the Group's customer base (government bodies and major OEMs), credit risk is not considered a significant factor in the Group's financial risk profile (although is monitored). Pricing and cash profiling are the key financial risks arising from the Group's trading and these are discussed in detail on pages 18 to 22.

The Group's exposure and approach to capital and financial risk, and approach to managing these is set out in note 33 to the Consolidated Financial Statements.

Employee Engagement

The Group engages with its employees regularly through various media including intranet, newsletters, bi-monthly executive briefings, employee opinion surveys, team briefings and twice-yearly financial results presentations to all staff. Details of the Group's performance are shared with all employees at appropriate times using these methods.

The Group's culture and related behaviours are driven (and closely monitored) by the Board, with employee feedback (via staff suggestion schemes and other channels) being delivered to the Board periodically.

Our Core Values focus on Performance, Innovation, Quality, Respect and Teamwork. These Core Values support the Group's strategic objectives, particularly linking into the Innovation and the Customer Focus themes and relevant aspects form part of employees' periodic appraisals.

Employees are key to the Group's success and the Company gives significant consideration to ensuring that it offers a working environment, culture and benefits package which can attract and retain the talented people it needs.

Deborah Wilkinson is designated as the Non-Executive Director to whom employees can raise any concerns regarding wrong-doing.

Employee policies

The Group has established employment policies to ensure compliance with current legislation and codes of practice, including equal opportunities.

The Group is an equal opportunities employer and is committed to treating all employees and applicants fairly.

The Group is a signatory to the UK's Armed Forces Covenant and welcomes applications from ex-service personnel.

Policy on payment of suppliers

The Group's policy during the year (and continuing into 2025) was to pay suppliers in accordance with the relevant contractual terms agreed between the Group and the supplier.

Authority for company to purchase its own shares

Under a shareholders' resolution of 17 July 2024, the Company (acting by its Directors) was granted authority to purchase through the market up to 6,347,130 of the Company's ordinary shares, at a maximum price equal to 105% of the average of the middle market quotations for an ordinary share taken from the Company's quotation on the London Stock Exchange for the five business days immediately preceding the purchase. Since 17 July 2024, the Company has not purchased any of its own shares and the authority referred to above remains unutilised. A proposal to renew the authority will be made at the Company's AGM in 2025.

The Board

The Board comprises the Chair, the Chief Executive Officer, the Commercial & Risk Director, the Chief Financial Officer and three additional Non-Executive Directors.

The Directors in office as at the date of this report are named on pages 33 to 35.

A full pack of Board papers (containing various reports and management information) is distributed to Directors in advance of each Board and Committee meeting. The Directors have access to external advice at the expense of the Company and access to the Company Secretary (who is a qualified solicitor).

One third of the Directors are subject to retirement by rotation every year (rounded to the nearest whole number). In addition, any Directors who will (at the date of the AGM) have been in office for more than three years since their last election are also required to retire. At the AGM in 2025, Directors wishing to continue in office will be required to stand for re-election in accordance with corporate governance best practice.

Directors' Indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company. Appropriate Directors' and officers' liability insurance cover is in place in respect of all the Directors.

Directors' Conflicts Of Interest

The Group has procedures in place for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction involving Pennant, they will notify the Board in writing or at the next Board meeting. Directors have an ongoing duty to update the Board in relation to any changes to these conflicts.

Significant shareholdings

As at 31 December 2024 the Group had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the voting rights held as a shareholder of the Company as shown in the table below.

Investor	Number of shares held	% interest in the total voting rights of Pennant
CC Powell Concert Party	6,278,253	14.52%
Rockwood Strategic plc	5,860,994	13.56%
Premier Miton Group	5,524,151	12.78%
Brett Gordon	5,240,000	12.12%
Killik & Co LLP	1,797,555	4.16%
Canaccord Genuity Group	1,681,281	3.89%

Political donations

The Group did not make any political donations during 2024 (2023: £NIL).

Matters covered in the Strategic Report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors Report (such as review of the business and future developments) have been omitted as they are included within the Strategic Report section (in the Chair's Statement on pages 8 to 9 and the Chief Executive's review on pages 10 to 11).

Annual General Meeting

The Company's Annual General Meeting will be held on June 6th, 2025. The Notice convening the Annual General Meeting and an explanation of the business to be put to the meeting will be contained in a separate circular sent to shareholders in accordance with communications preferences and will also be available on the website at www.pennantplc.com under the 'AGM Documents' section.

Statement as to disclosure of information to auditor

As far as the Directors are aware, they have each taken all necessary steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

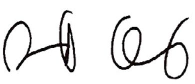
As far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

A resolution to reappoint S&W Partners Audit Limited (formerly CLA Evelyn Partners Limited) as auditors in 2025 will be proposed in the AGM.

Approved by the Board on 23 April 2025
and signed on its behalf



D J Clements
Director

Directors' Responsibility Statement

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

The directors are also responsible for ensuring that they meet their responsibilities under the AIM Rules.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards ("IFRS"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board on 23 April 2025
and signed on its behalf

D J Clements
Director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Financial Statements

The following section outlines the results for the period ended 31 December 2024.

Independent Auditor's Report to the Members of Pennant International Group Plc

Opinion

We have audited the financial statements of Pennant International Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2024 which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Comprehensive Income, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2024 and of the group's and the parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards.
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards; and
- the 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 described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other 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.

Our approach to the audit

Of the group's 6 trading components including the parent company, we subjected 5 to specific audit procedures where the extent of our audit work was based on our assessment of the risk of material misstatement and of the materiality of that component.

The components within the scope of our work covered 97% of group revenue, 100% of group profit before tax, and 100% of group net assets.

For the remaining 1 component, we performed analysis at a group level to re-examine our assessment that there were no significant risks of material misstatement within these.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 the 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.

Key audit matter	Description of risk	How the matter was addressed in the audit
Revenue recognition (including contract assets and contract liabilities)	The group's revenues are a principal consideration of its financial performance and are a key focus of Management to meet market expectations. The group has different income streams with differing revenue recognition principles and as a result there is a risk that revenue is incorrectly recognised.	We challenged management's revenue recognition accounting policies and related disclosures as described in Note 3 and 5 respectively. As part of our procedures we: • Confirmed the appropriateness of the Group's revenue recognition policy with respect to the requirement of IFRS 15 "Revenue from Contracts with Customers" and checking that it has been consistently applied. • Performed tests of detail over a sample of revenue transactions to determine whether the revenue recognised was complete, occurred and recognised in line with the Group's accounting policies. • Tested a sample of deferred and accrued income to ensure that the related revenue was recognised correctly in line with the Group's accounting policies.

The cashflow projections which supports the going concern status of the Group (note 3), the recoverability of intangible assets (notes 4, 16 and 17) and deferred tax assets (note 27) at a group level and the recoverability of investments (parent company note 6) and inter-company receivables (parent company balance sheet) for the parent company.	The group is loss making and has undertaken significant restructuring in the year and changed strategic focus. Management have prepared a budget and cashflow forecasts indicating that in their view the Group and the parent company can continue to operate as a going concern for at least 12 months from the date of approval of the financial statements. Cashflow forecasts are inherently judgemental, particularly around revenue forecasting, and subject to fluctuation. As a result, these projections were a key area of audit focus. Furthermore, the group has significant intangible assets including goodwill and also a deferred tax asset. The parent company also has investments and intercompany receivables. These matters present an area of audit risk as the carrying values of these is linked to the same forecasts and the balances could be impaired if forecasts are not achieved.	We challenged the assumptions used in the cashflow forecasts for going concern and in respect of the impairment reviews for intangible assets to the group financial statements. The main procedures performed on the forecasts were: • Challenging the assumptions used in the detailed budgets and forecasts prepared by management. • Using our internal valuation specialists to assess the appropriateness of the model, discount rate and other variables applied in the impairment assessment. • Verifying the consistency of the forecasts and assumptions used in the impairment calculations with those used for going concern assessment, where relevant. • Reviewing bank statements to monitor the cash position of the group post year end and obtained an understanding of significant cash inflows and outflows expected. • Considering post year end trading performance compared to forecasts and anticipated out- turn for the rest of the financial year • Comparing FY2024 forecasts to actual results achieved to assess past forecasting accuracy. • Assessing the appropriateness of disclosures around going concern, deferred tax assets, intangible assets and the parent company's inter-company receivables and investments.
Capitalisation of intangible assets/development costs	The group and parent company capitalises qualifying development costs as intangible assets, which are material to the company and Group's financial statements. The capitalisation of development costs is inherently judgemental and stringent requirements must be met to capitalise these costs in accordance with the applicable accounting standard (IAS 38). This presents an area of audit risk that costs are incorrectly capitalised as intangible assets.	We challenged the assumptions for capitalisation of development costs as described in Note 4 to the group financial statements. As part of our procedures we: • Traced a sample of development costs capitalised in the year to supporting documentation. • Assessed the costs capitalised in the year against the recognition criteria of IAS 38. • Considered the accuracy and appropriateness of capitalisation rates used by management • Considered the adequacy of impairment in relation to specific intangible assets. • Considered the appropriateness of the disclosures made in note 4 of the financial statements in respect of the intangible assets.

Our application of materiality

The materiality for the group financial statements as a whole ("group FS materiality") was set at £207,000. This has been determined with reference to the benchmark of the group's revenue, which we consider to be one of the principal considerations for members of the company in assessing the group's performance. Group FS materiality represents 1.5% of the group's revenue as presented on the face of the Consolidated Income Statement.

The materiality for the parent company financial statements as a whole ("parent FS materiality") was set at £93,675. This has been determined with reference to the benchmark of the parent company's total assets as it exists only as a holding company for the group and carries on no external trade in its own right. Parent FS materiality represents 0.6% of the parent company's total assets as presented on the face of the parent company statement of financial position.

Performance materiality for the group financial statements was set at £134,000, being 65% of group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds group FS materiality. We judged this level to be appropriate based on our understanding of the group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements.

Performance materiality for the parent company financial statements was set at £60,900, being 65% of parent FS materiality based on our overall expectation of the level of audit differences, and the number of and significance of areas of judgement in the financial statements and considering the extent of work required to give comfort on the group.

Material Uncertainty related to going concern

We draw attention to note 3 in the financial statements concerning the group and the parent company's ability to continue as a going concern.

In the reporting period, the group has recorded a loss after tax of £2.6m. The directors have prepared cash flow projections to December 2026 to support their decision to use the going concern basis and these projections rely on future cash flows from new business which are not yet secured, and the timing also remains uncertain.

As stated in note 3, these events or conditions indicate a material uncertainty exists that may cast significant doubt on the group and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. Notwithstanding the above, 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.

Our evaluation of the directors' assessment of the group and parent company's ability to adopt the going concern basis of accounting included the following procedures in conjunction with the matters described in the Key Audit Matters above:

- Challenging the assumptions used in the detailed budgets and forecasts prepared by management for the going concern period.
- Considering post year end trading performance compared to forecasts and anticipated out- turn for the rest of the financial year.
- Reviewing bank statements to monitor the cash position of the group post year end and obtaining an understanding of significant expected cash outflows and inflows in the forthcoming 12-month period.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Accounts. 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 the parent company and their 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 our 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 page 46, 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's and the 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 or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We obtained a general understanding of the Group's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the Group's and Parent Company's industry and regulation.

We understand that the Group complies with the framework through:

- Subscribing to relevant updates from external advisors and making changes to internal procedures and controls as necessary.
- The Executive Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.
- The Group has a dedicated Commercial & Risk Director who has oversight of all the relevant policies and procedures.
- Outsourcing tax compliance services to external experts.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Group's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the group:

- The Companies Act 2006 and IFRS in respect of the preparation and presentation of the financial statements.
- International Traffic in Arms Regulations (ITAR)
- AIM rules for companies

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Inquiring of management and, where appropriate, those charged with governance, so to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations and
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur.

The areas identified in this discussion were:

- Estimates made by management regarding the appropriateness of capitalised development costs
- Manipulation of the financial statements, especially revenue, via fraudulent journal entries or error affecting cut-off around the year end.
- The incentive to present a misleading view of the business' financial performance and position given the Group's listed status, which might lead to misrepresentations through actions such as mis-stating revenues, presenting overly optimistic forecasts to support the carrying value of intangible assets, deferred tax assets at a group level and investments and inter-company receivable balances at a parent company level, as well as to support the going concern presumption.

These areas were communicated to the members of the engagement team not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Challenging management regarding the assumptions used in the estimates and inherently judgemental areas (see Key Audit Matters above).
- Substantive testing on revenue recognition and deferred income ensuring that revenue was recognised appropriately (see Key Audit Matters above)
- Substantive work on other material areas affecting profits.
- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts.
- Enquiring as to whether there is any correspondence with the above regulators to be reviewed as part of our audit work.

A further description of our responsibilities is available on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.
This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the parent 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 parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

S&W Partners Audit Limited

Andrew Edmonds
Senior Statutory Auditor, for and on behalf of

S&W Partners Audit Limited
Statutory Auditor
Chartered Accountants

4th Floor
Cumberland House
15-17 Cumberland House
Southampton
SO15 2BG

23rd April 2025

Consolidated Income Statement for the year ended 31 December 2024

Continuing operations	Notes	2024 £000s	2023 £000s
Revenue	5	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	8	(2,322)	(325)
Profit on sale of land and buildings	18	231	-
Other administration expenses		(7,596)	(7,555)
Administrative expenses		(9,687)	(7,841)
Other income	9	185	209
Operating (loss) / profit	9	**(2,602)**	**95**
Finance costs	11	(444)	(463)
Finance income	12	5	1
Loss before taxation		**(3,041)**	**(367)**
Taxation	13	(466)	(566)
Loss for the year attributable to the equity holders of the parent		**(2,575)**	**(933)**
Loss per share			
Basic	15	(6.37p)	(2.53p)
Diluted	15	(6.37p)	(2.53p)

The accompanying notes on pages 62 to 91 are an integral part of these financial statements.

Consolidated Statement of other Comprehensive Income for the year ended 31 December 2024

	Notes	2024 £000s	2023 £000s
Loss for the year attributable to the equity holders of the parent		**(2,575)**	(933)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(300)	(120)
Items that will not be reclassified to profit or loss:			
Net revaluation gain	18	-	113
Impairment on property, plant and equipment		(80)	-
Deferred tax credit / (charge) – property, plant and equipment	27	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 £000s**	2024 £000s
Non-current assets			
Goodwill	16	2,530	2,595
Other intangible assets	17	4,218	5,335
Property, plant and equipment	18	470	4,155
Right-of-use assets	19	543	860
Deferred tax assets	27	591	399
Total non-current assets		**8,352**	**13,344**
Current assets			
Inventories	20	617	980
Trade and other receivables	21	2,355	2,647
Corporation tax recoverable		593	641
Assets held for sale		2,974	-
Cash and cash equivalents	23	1,045	1,099
Total current assets		**7,584**	**5,367**
Total assets		**15,936**	**18,711**
Current liabilities			
Trade and other payables	22	3,251	4,099
Bank overdraft	23	3,330	2,978
Current tax liabilities		3	1
Lease liabilities	24	137	420
Deferred consideration on acquisition	25	311	468
Total current liabilities		**7,032**	**7,966**
Net current assets/(liabilities)		**552**	**(2,599)**
Non-current liabilities			
Lease liabilities	24	468	501
Warranty provisions	28	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	29	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**

Approved by the Board and authorised for issue on 23 April 2025.

D Wiggins - Director

The accompanying notes on pages 62 to 91 are an integral part of these financial statements.

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	(525)	(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**

Share capital

This represents the issued share capital of the Company.

Share premium account

This represents the amount by which shares have been issued at a price greater than nominal value less issue costs.

Capital redemption reserve

The capital redemption reserve is a non-distributable reserve into which amounts are transferred following the redemption or purchase of the Group's own shares.

Retained earnings

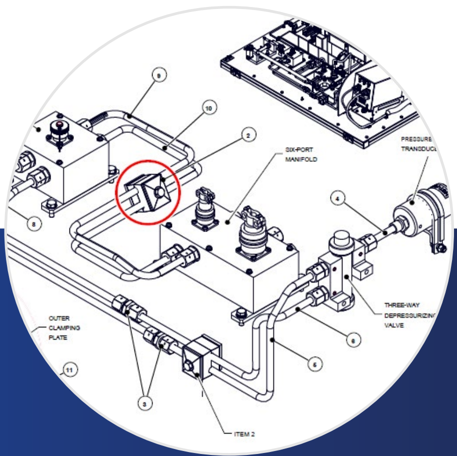
This represents the accumulated realised earnings from the prior and current periods as reduced by losses and dividends from time to time.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign subsidiaries from their functional currency to the presentational currency of the Group, being sterling, are recognised directly in the translation reserve.

Revaluation reserve

This represents the increments and decrements on the revaluation of non-current assets net of deferred tax.



Consolidated Statement of Cash Flows for the year ended 31 December 2024

	Notes	2024 £000s	2023 £000s
Net cash from operations	30	**176**	1,294
Investing activities			
Interest received	12	5	1
Payment for acquisition of subsidiaries, net of cash acquired		-	(214)
Deferred consideration paid in respect of prior year acquisition	25	(511)	(352)
Investment in intangible assets	17	(1,371)	(1,453)
Purchase of property, plant and equipment	18	(223)	(305)
Proceeds from disposal of property, plant and equipment		484	-
Net cash used in investing activities		**(1,616)**	(2,323)
Financing activities			
Proceeds from issue of ordinary shares		1,392	21
Repayment of lease liabilities	24	(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	23	(1,879)	(426)
Effect of foreign exchange rates		(107)	(250)
Cash and cash equivalents at end of year	23	**(2,285)**	(1,879)

Notes to the Consolidated Financial Statements for the year ended 31 December 2024

1. General information

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.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. All values are rounded to the nearest thousand pounds except where otherwise stated. Foreign operations are included in accordance with the policies set out in note 3.

2. Standards, amendments and interpretations adopted in the current financial year ended 31 December 2024

The Group has applied the following new accounting standards and amendments for the first time in the annual reporting period commencing 1 January 2024. The amendments listed did not have a material impact on the Group's financial statements for the current or prior Period and are not expected to significantly impact future periods.

- IAS 1 Presentation of Financial Statements (Amendment): Classification of Liabilities as Current or Non-current and Classification of Non-current Liabilities with Covenants
- IFRS 16 Leases (Amendment): Lease Liability in a Sale and Leaseback;
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures (Amendment): Supplier Finance Arrangements;

The following amendments to accounting standards have been published but are not mandatory for 31 December 2024 reporting periods and have not been adopted early by the Group. These amendments are not expected to have a material impact on the entity in future reporting periods or on foreseeable future transactions.

- IAS 21 The Effects of Changes in Foreign Exchange Rates (Amendment): Lack of exchangeability.

3. Accounting policies

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis or a revaluation basis where indicated. The principal accounting policies set out below have been consistently applied to all periods presented.

Going concern statement

Accounting standards require that the Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis.

The Directors have prepared cash flow projections to 31 December 2026 to support their decision to use the going concern basis and these projections rely on future cash flows from new business which is not yet secured and for which timings are uncertain. 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 – scenarios under which the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have prepared cash flow projections to 31 December 2026 to support their decision to use the going concern basis and these projections rely on future cash flows from new business which is not yet secured and for which timings are uncertain. The Directors have concluded that there are scenarios whereby the conversion of opportunities into new business represent a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern – scenarios under which the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Consideration was also given to the decisive actions undertaken during 2024 to restructure the cost base of the Training Systems segment, removing circa £2 million of annualized cost from the business, post balance sheet events have served to strengthen the future cash flow – namely the sale of surplus UK land &

buildings for gross proceeds in excess of £2 million as well as the renewal, in April, of its overdraft facility for a further 12 months. Furthermore, should the Group not achieve budgeted revenue projections, management would look to address its cash costs and/or raise capital from a number of different funding options.

For these reasons, we continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Were the company no longer a going concern, adjustments may be required to the carrying value of assets, provisions would be required for the future liabilities arising as a consequence of the company ceasing business and assets and liabilities currently classified as non-current would be reclassified as current.

Basis of consolidation

The financial statements incorporate the results of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has power to direct the activities of the investee, the right to the variable returns of the investee, and the ability to use power to affect the returns of the investee.

Where necessary, adjustments are made to the results of subsidiaries to bring accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The assets and liabilities (including any contingent liabilities) of the subsidiaries are measured at their fair value 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 in the cost of acquisition below the fair value of the identified net assets acquired (i.e. a discount on acquisition) is credited to the income statement in the period of acquisition.

Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the profit or loss account and is not subsequently reversed. Acquisition-related costs are recognised in the income statement as incurred.

Temporary differences (differences between the carrying amount of an asset or liability in the statement of financial position and its tax base) that arise due to the measurement of identifiable assets and liabilities at their fair values at acquisition are treated as deferred tax assets or liabilities, as the case may be.

Revenue recognition

Engineered Solutions

Revenue on engineered solutions contracts is recognised over time, based on the stage of completion for the identified performance obligation(s) at the reporting date. Revenue is recognised over time due to the goods having no alternative use and the Group being entitled to compensation from the customer for work completed to date. The stage of completion for each performance obligation is measured using costs incurred to date as a proportion of total expected costs to complete the identified performance obligation.

Generic Products

Revenue is recognised on a point in time basis upon contractual acceptance of the manufactured product by the customer. Revenue is recognised at a point in time due to the products having alternative uses to the Group in that they could be sold to other prospective customers. Additionally there is not normally any entitlement to payment for work completed to date. Until the contractual acceptance of the product, costs are recognised as work in progress in inventories.

Software Products & Licences

Software licence sales (goods) – revenue is recognised at a point in time once the customer has access to the licence. This is on the basis that the customer cannot return the licence or ask for it to be transferred to another party and the Group is under no obligation to provide a refund.

Software as a service (SAAS) subscriptions – revenue for the provision of authentication and data protection services to customers, is recognised evenly over the time during which the subscription is provided.

Software Maintenance

Software maintenance revenue is recognised over the period to which the maintenance support agreement relates. Amounts invoiced but not taken to revenue at a period end are shown in the statement of financial position as contract liabilities.

Software and Technical Services

Revenue from software and technical services is recognised over time or on a point in time basis as determined by the terms of the customer contract. Amounts not taken to revenue at a period end are shown in the statement of financial position as a contract liability.

Leases and Right-of-use assets

Right of use assets and lease liabilities are recognised and measured in accordance with IFRS 16. A right of use asset and a lease liability has been recognized for all leases except leases of low value assets and those with a duration of 12 months or less. The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Right of use assets are measured at cost less depreciation and impairment.

Foreign currency

Transactions in currencies other than each Group entity's functional currency are recorded at rates of exchange prevailing on the dates of the transactions. At the reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated into sterling at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recorded in the Group's transaction reserve. Such translation differences are recognised as income and expense in the period in which the operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates.

Taxation

The tax expense represents the sum of the current tax charge and deferred tax charge. Current tax payable, where applicable, is based on taxable profit for the year. Taxable profit differs from the net profits as reported on the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in future periods against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited to equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Warranty provisions

Warranty provisions are made in respect of contractual obligations and warranties based on the judgement of management taking into account the nature of the claim or contractual obligation, the range of possible outcomes, past experience and any mitigation. Warranty provisions are recognised over time from the point of contract award. All warranty provisions currently provided for by the Group are considered to be assurance-based only.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of an option pricing model. The model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions.

Property, plant and equipment

Property, plant and equipment (except for land and buildings) are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged to write off the cost of assets over their estimated useful lives on the following bases:

Freehold land:	Nil
Freehold buildings:	Net book value subsequent to revaluation at 1 January 2024* being written off over 35 years on a straight-line basis
Fixtures and Equipment:	10% to 33.33% of cost per annum
Motor vehicles:	20% of cost per annum

**The net book value subsequent to the revaluation as at 31st December 2023.*

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to each asset's revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in carrying value arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds any balance held in the revaluation reserve relating to a previous revaluation of that asset.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Internally-generated intangible assets

An internally-generated intangible asset arising from the Group's development activities is capitalised and held as an intangible asset in the statement of financial position when the costs relate to a clearly defined project; the costs are separately identifiable; the outcome of such a project has been assessed with reasonable certainty as to its technical feasibility and its ultimate commercial viability; the aggregate of the defined costs plus all future expected costs in bringing the product to market is exceeded by the future expected sales revenue; and adequate resources are expected to exist to enable the project to be completed. Internally-generated intangible assets are amortised over their useful lives from completion of development. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the income statement in the period in which it is incurred.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss. Amortisation is charged to write off intangible assets on a straight-line basis over their estimated useful lives on the following basis:

Development Costs:

Hardware development costs	10% of cost per annum
Courseware development costs	20% of cost per annum
Software development costs	20% of cost per annum
Virtual Reality development costs	50% of cost per annum
Software	33% of cost per annum

The amortisation of intangible assets is included in 'Other administration expenses' in the Consolidated Income Statement as disclosed in note 9.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and overheads that have been incurred in bringing the inventories to their present location and condition. Inventory cost is calculated using the first in, first out methodology. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset or a financial liability.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and subsequently measured at amortised cost.

The Group assesses possible increase in credit risk for financial assets measured at amortised cost at the end of each reporting period. For trade receivables the simplified approach is used, and the loss allowance is measured at the estimate of the lifetime expected credit losses. The amount of any loss allowance is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are recognised as financial assets. They comprise cash held by the Group and short-term bank deposits with an original maturity date of three months or less.

Trade payables

Trade payables are initially recognised as financial liabilities measured at fair value, and subsequent to initial recognition measured at amortised cost.

Bank borrowings

Interest bearing bank loans, overdrafts and other loans are recognised as financial liabilities and recorded at fair value, net of direct issue costs. Finance costs are accounted for on an amortised cost basis in the income statement using the effective interest rate.

Research and Development Tax Incentives

The Group recognises expected tax credits for conducting qualifying research and development activities in the Income Statement when it is probable that the credit will be received and the amount can be measured reliably. Where the expected credit is taxable (such as credits arising from claims under the UK Research and Development Expenditure Credits (RDEC) scheme) the credit is shown in the Income Statement above the tax line. This has the effect of increasing the profit before tax but also increasing the total tax expense. Where the credit is not taxable it is included directly in the Taxation line of the Income Statement. In either case the tax credit is calculated at the current legislated rate on qualifying R&D expenditure for the jurisdiction concerned.

Assets Held for Sale

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell and classified separately on the face of the Group Statement of Position as current or non-current according to the expected date of sale. Assets held for sale are not depreciated.

Exceptional Items

Certain incomes and expenditures are presented as an ‘exceptional item’ on the face of the consolidated income statement as a result of being seen by the Board as non-recurring transactions or one-off in nature. Excluding exceptional items from can assist in measuring performance year over year and against comparative companies.

Management have reviewed the comparative financial statements for 2023 and represented £325k as exceptional items on the face of the income statement, which were previously disclosed in other administrative expenses, with no impact on overall profitability in accordance with this accounting policy.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that the Directors have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key source of judgement

Revenue recognition - IFRS 15 considerations

A proportion of the Group's revenue derives from long-term engineered solutions contracts. Judgement is used to identify the individual performance obligations within each contract and allocate costs and revenue across them. Each identified performance obligation is then assessed as to whether the IFRS 15 criteria for revenue recognition over time is met.

Capitalisation of development costs

The capitalisation of development costs includes judgements over whether the requirements of IAS 38 intangible assets are met. This includes confirmation that the asset is technically and commercially feasible and the Group can demonstrate a market for the product, which supports its future economic benefits. Technical feasibility is confirmed through the Technology and Innovation teams whilst commercial viability is confirmed by information received through the Sales team from existing and potentially new customers.

Deferred tax asset recognition

The recognition of deferred tax assets (see note 27) is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference has been made to the latest available profit forecasts.

Significant items on which the Group has exercised accounting judgement include recognition of deferred tax assets in respect of brought forward unused tax losses in its UK subsidiaries.

In determining the recoverability of the deferred tax assets management has followed a consistent approach as that adopted for goodwill impairment testing described below.

IAS 12 emphasises the point that the very existence of unrelieved tax losses is to be taken as strong evidence that there may not be other future taxable profits against which the losses will be relieved.

The tax effect of UK trading tax losses with a gross value of £7.0 million has been offset against deferred tax liabilities arising from temporary timing differences in equal measure, and although the Board has full confidence in the strategic and financial forecasts, any surplus deferred tax asset arising from brought forward tax losses has not been recognised.

Key source of estimation uncertainty

Impairment of goodwill and other intangible assets

The Group determines whether goodwill and other intangible assets are impaired on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in notes 16 and 17.

Revenue recognition - estimation of cost to complete

For long-term engineered solutions contracts (see note 5), the Directors are satisfied that revenue is recognised when, and to the extent that, the Group obtains the right to consideration which is derived on a contract-by-contract basis from the stage of completion of the contract activity at the reporting date. This is measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost. This requires the estimation of the total costs of each contract based on the contractual requirements and the estimate cost to complete. This estimate of costs to complete typically comprises both labour hours and bought out materials. The estimate is informed through regular contract reviews and amended for any applicable variations. As at 31 December 2024, the contract with the largest estimated cost to complete is the Boeing Defence UK contract. The sensitivity of the estimate is mitigated by the relatively short forecast period with the contract scheduled to complete in Q1 2025.

5. Revenue

An analysis of the Group's revenue by product group is as follows:

	2024 £000s	2023 £000s
Software licences & products	397	1,111
Software maintenance	1,893	1,589
Technical services	7,276	6,873
Engineered solutions	3,554	5,229
Generic products	655	733
Total Group Revenue	**13,775**	15,535

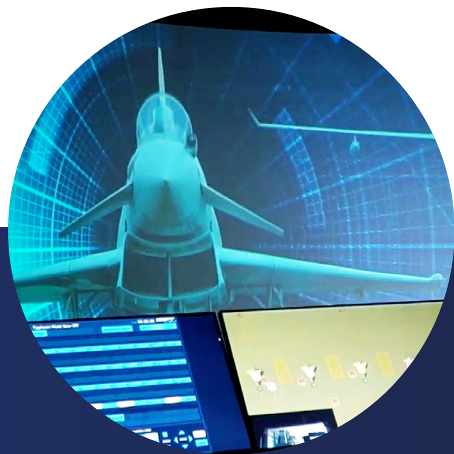
The payment terms associated with the revenue groups are typically as follows:

- Software licences & products: payment at or before installation of software
- Software maintenance: payment in advance of the maintenance period
- Software and technical services: time-based or milestone-based payments
- Engineered solutions & Generic products: milestone-based payments

Revenue which was deferred as at 31 December 2024 now recognised in this year amounts to £1,332k (2023: £2,552k).

As at 31 December 2024 the transaction price of performance obligations unsatisfied at the period end was as follows:

	2024 £000s	2023 £000s
Within 1 year	3,234	7,835
In 2-5 years	1,644	2,587
After 5 years	-	770
	4,878	11,192



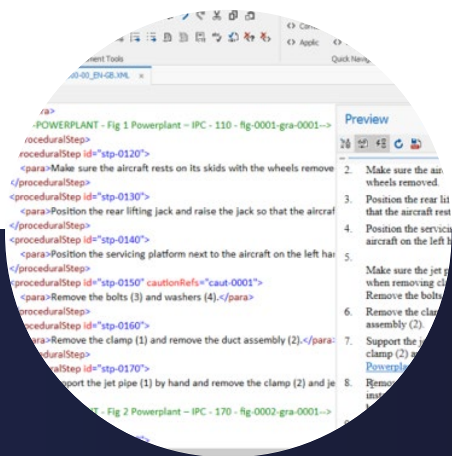
6. Segment information

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 detailed on page 11 in the 'Chief Executive's Review' section) as these represent the way the Group reports financial performance and position internally. The accounting policies of the reporting segments are the same as those adopted by the Group and set out in note 3.

6.1 Segment revenues and results

	Segment revenue		Segment profit/(loss)	
	2024 £000s	2023[1] £000s	**2024 £000s**	2023[1] £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.



6.2 Segment assets and liabilities

Training

Segment assets:	2024 £000s	2023[1] £000s
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

Segment assets:	£000s	£000s
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.

6.3 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	2023[1]	**2024**	2023[1]
	£000s	£000s	**£000s**	£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.

6.4 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	2023
	£000s	£000s
UK		
Customer 1	3,513	5,220
Canada		
Customer 2	265	2,370

7. Staff costs

The aggregate remuneration comprised:

The aggregate remuneration comprised:	**2024** **£000s**	2023 £000s
Wages and salaries	8,327[1]	8,020
Social security costs	983	890
Other pension costs (note 32)	348	341
	9,658	9,251

[1] includes termination costs of £447k resulting from the restructuring exercise.

The highest paid Director remuneration is detailed in the 'Remuneration Report' on pages 37 to 41.

The average number of persons, including Executive Directors employed by the Group during the year was:

	2024 Number	2023 Number
Office and management	32	32
Production	99	103
Selling	8	5
	139	140

8. 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 £000s
Included in Administrative Expenses		
Inventory Impairment	407	-
Restructuring costs	1,697	-
Aborted acquisition costs	218	190
M&A integration costs	-	135
	2,322	325

See note 3 for details behind the restatement.

9. Operating loss for the year

	2024 £000s	2023 £000s
The operating loss for the year is stated after charging /(crediting):		
Net foreign exchange profit	(232)	(73)
Research and development costs*	585	1,033
Other income arising from RDEC claim (R&D)	(117)	(205)
Property rental and sundry other income	(68)	(4)
Amortisation of developed intangible assets	1,092	778
Amortisation of acquired intangible assets	552	552
Reversal of previously recognised impairment loss as a result of land and buildings revaluation (note 18)	-	(39)
Impairment of intangible assets	831	-
Impairment of inventory	407	-
Impairment of tangible assets	302	-
Depreciation of property, plant and equipment	306	305
Depreciation of right-of-use assets	194	200
Share-based payment (note 31)	70	69
Profit on disposal of land and buildings (note 18)	(231)	-
Loss on disposal of other property, plant and equipment (note 18)	14	-
Profit on disposal of right of use assets	(18)	-

*in addition, in 2024 research & development costs of £1,349k were capitalised (2023: £1,425)

During 2024 research and development costs of £1,349k were capitalised (2023: £1,425k). Details of our capitalisation and amortisation policy can be found in note 3.

10. Auditor remuneration

	2024 £000s	2023 £000s
Fees payable to the Company's auditor for:		
The audit of the annual financial statements	91	76
The audit of the Company's subsidiary undertaking	41	40
	132	**116**

11. Finance costs

	2024 £000s	2023 £000s
Interest expense for bank overdraft	195	180
Lease interest	77	79
Interest payable on deferred consideration on acquisition	36	49
Movement in discounting applied to deferred consideration	105	109
Other interest expense	31	46
	444	463

12. Finance income

	2024 £000s	2023 £000s
Other interest receivable	5	1
	5	1

13. Taxation

	2024 **£000s**	2023 £000s
Recognised in the income statement		
Current UK tax credit	106	137
Foreign tax credit	143	110
In respect of prior years	44	150
Sub-total current tax	**293**	397
Deferred tax (charge) / credit relating to origination and reversal of temporary differences	182	(990)
In relation to prior years	(13)	44
Exchange rate difference	4	(17)
Subtotal deferred tax	**173**	(963)
Total income statement tax charge credit / (charge)	**466**	(566)
Other Comprehensive Income credit / (charge) for the period Deferred tax	**20**	(28)
Reconciliation of effective tax rate		
Loss before tax	**(3,041)**	(367)
Tax at the rate applicable in the United Kingdom of 25% (2023: 19.00%)	760	86
Tax effect of expenses not deductible in determining taxable profit	(31)	(198)
Tax effect of income excluded from taxable profits	(2)	9
Fixed asset differences	122	-
Impact of R&D tax credits	(50)	57
Foreign tax expensed	-	(8)
Chargeable losses	153	-
Effect of different tax rates of subsidiaries operating in other Jurisdictions	23	45
Effect of higher rate of deferred tax	-	(28)
Effect of change in recognition of deferred tax asset	(1,457)	(601)
Effect of adjustments for prior years (current tax)	44	150
Effect of adjustments for prior years (deferred tax)	6	44
Other differences	2	(122)
Total tax credit / (charge)	**466**	(566)

14. Dividends

No dividends were paid during the year (2023: £NIL). No final dividend will be proposed at the Annual General Meeting (2023: £NIL).

15. Earnings per share

Earnings per share has been calculated by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year as follows:

	2024 **£000s**	2023 £000s
Loss after tax attributable to equity holders	(2,575)	(933)
	Number	Number
Weighted average number of ordinary shares in issue during the year	40,421,945	36,836,443
Diluting effect of weighted average share options in issue during the year*	1,683,762	1,610,000
Diluted average number of ordinary shares	42,105,707	38,446,443
Loss per share (basic)	(6.37p)	(2.53p)
Loss per share (diluted)*	(6.37p)	(2.53p)

* Share options are excluded from the earnings per share calculation in the consolidated income statement due to their antidilutive effect on the loss after tax attributable to equity holders.

The Company issued 6,203,767 ordinary shares at 25p each through a placing and subscription for shares.

16. Goodwill

Carrying amount:	**£000s**
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 of its products in each of three distinct geographical regions, as shown in the segmental analysis at note 6. 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:

Cash generating unit:	**2024** **£000s**	2023 £000s
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 cyclicality 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).

17. Other intangible assets

	Software £000s	Development costs £000s	Customer lists and contracts £000s	Total £000s
Cost				
At 1 January 2023	549	9,911	-	10,460
Currency translation	-	(21)	-	(21)
Acquisition of TAP (Note 34)	-	-	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, no further impairment to other intangible assets was deemed necessary.

18. Property, plant and equipment

	Land and buildings £000s	Fixtures and equipment £000s	Motor vehicles £000s	Total £000s
Cost / Valuation				
At 1 January 2023	3,095	3,508	14	6,617
Currency translation	-	(11)	-	(11)
Additions	-	276	29	305
Acquisition of TAP (note 34)	-	2	-	2
Revaluation	5	-	-	5
Disposals	-	(105)	(7)	(112)
At 1 January 2024	3,100	3,670	36	6,806
Currency translation	-	(35)	(3)	(38)
Additions	194	29	-	223
Reclassified as held for sale	(3,100)	-	-	(3,100)
Disposals	(194)	(75)	-	(269)
At 31 December 2024	**-**	**3,589**	**33**	**3,622**
Depreciation				
At 1 January 2023	73	2,528	14	2,615
Currency translation	-	(11)	-	(11)
Revaluation	(146)	-	-	(146)
Disposals	-	(105)	(7)	(112)
Charge for year	73	228	4	305
At 1 January 2024	-	2,640	11	2,651
Currency translation	-	(18)	-	(18)
On assets held for sale	(47)	-	-	(47)
Impairment	-	302	-	302
Disposals	-	(42)	-	(42)
Charge for the year	47	253	6	306
At 31 December 2024	**-**	**3,135**	**17**	**3,152**
Carrying amount				
At 31 December 2024	**-**	**454**	**16**	**470**
At 31 December 2023	3,100	1,030	25	4,155

On 27 March 2024, the Parent Company exercised its option to purchase an industrial / office unit which it had leased and occupied since January 2019 (Unit C1, Herrick Way, Staverton Technology Park, Staverton, Cheltenham, GL51 6TQ). The purchase price was £204k inclusive of certain fixtures and fittings, and the property (including fixtures and fittings) was immediately sold on the same date for proceeds of £484k. After agent and legal fees, the group realised a profit on disposal of £231k.

On 1st October 2024, the remainder of the owned Land & Buildings in Cheltenham, UK, were advertised for sale and subsequently reclassified as current assets held for sale in accordance with IFRS 5.

The carrying amount of assets classified as held for sale on 31 December 2024 is £3.1 million.

The progress of this sale process is discussed in note 37 Post Balance Sheet Events.

19. Right-of-use assets

	Property £000s	Motor vehicles £000s	Total £000s
Valuation			
At 1 January 2023	410	93	503
Currency translation	(1)	-	(1)
Additions	410	148	558
Depreciation	(149)	(51)	(200)
At 1 January 2024	670	190	860
Currency translation	(28)	-	(28)
Additions	103	51	154
Termination of lease	(193)	(56)	(249)
Depreciation	(128)	(66)	(194)
At 31 December 2024	**424**	**119**	**543**

20. Inventories

	2024 £000s	2023 £000s
Raw materials and consumables	589	936
Work in Progress	28	44
	617	980

£695k (2023: £1,085k) of inventories have been recognised as an expense in the consolidated income statement.

During the year, as a result of the restructuring of the Training side of the business, an impairment charge of £407k (2023: £nil) has been recognised against the inventory balance.

21. Trade and other receivables

	2024 £000s	2023 £000s
Trade receivables	1,064	1,476
Contract assets	908	714
Other receivables	11	17
Prepayments	372	440
	2,355	2,647

No receivables have been written off as uncollectible during the year (2023: £Nil) and it has not been necessary to recognise any impairment loss under the expected lifetime loss model as there is no history of trade receivables being uncollected and therefore it is believed any credit risk is minimal and any expected credit losses (ECL) charge would be immaterial.

The contract assets have increased as a result of timing differences between work performed and billing on Technical Services contracts.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

22. Trade and other payables

	2024 **£000s**	2023 £000s
Contract liabilities	1,502	1,687
Trade payables	672	621
Taxes and social security costs	397	611
Other creditors and Accruals	680	1,180
	3,251	4,099

Contract liabilities have decreased as a result of timing differences between work performed and billing on Technical Services contracts.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

23. Cash and cash equivalents

	2024 **£000s**	2023 £000s
Cash at bank	1,031	1,086
Petty cash	14	13
	1,045	1,099
Bank overdraft	(3,330)	(2,978)
Balance as per statement of cash flows	**(2,285)**	(1,879)

Cash and cash equivalents comprise cash held by the Group and short-term deposits with an original maturity date of three months or less. The carrying amount approximates their fair value.

The bank overdraft is secured by fixed and floating charges over the assets of Pennant International Group plc, Pennant International Limited and by cross-guarantees between those companies.

24. Lease liabilities

	Property £000s	Motor vehicles £000s	Total £000s
Valuation			
At 1 January 2023	467	92	559
Currency translation	(1)	-	(1)
Additions	410	148	558
Termination of lease	-	-	-
Interest expense (presented as operating cash flow)	68	11	79
Repayments (principal and interest)	(205)	(69)	(274)
At 1 January 2024	739	182	921
Currency translation	(31)	-	(31)
Additions	103	51	154
Termination of lease	(208)	(55)	(263)
Interest expense (presented as operating cash flow)	57	18	75
Repayments (principal and interest)	(171)	(80)	(251)
At 31 December 2024	**489**	**116**	**605**
Current	93	44	137
Non-current	396	72	468

Included in the movement in lease liabilities are repayments of lease liabilities totalling £251k (2023: £274k). The principal element of the repayments has been classified as financing activities in the Statement of Cash Flows whereas the interest payment is included in operating cash flows at note 30. All other movements are considered to be non-cash changes.

In 2024 short-term lease rentals expensed amounted to £23k (2023: £16k). The total cash outflow in respect of leases (right-of-use and short-term expensed rentals) was £274k (2023: £290k).

There were no low value leases or variable lease payments in the year. This is not likely to significantly change in the year ahead.

Lease payments due:	2024 £000s	2023 £000s
Within 1 year	197	448
In 2-5 years	529	555
After 5 years	53	159
	779	1,162
Finance charges	(174)	(241)
Net Present Value	**605**	921

25. Deferred and contingent consideration

Carrying amount:	£000s
At 1 January 2023	879
Currency translation	(40)
Acquisition of Track Access Productions Ltd	155
Repayment	(352)
Movement in discount applied to future repayments	109
At 1 January 2024	751
Currency translation	(31)
Repayment (TAP)	(175)
Repayment (ADG)	(336)
Movement in discount applied to future repayments (TAP)	21
Movement in discount applied to future repayments (ADG)	81
At 31 December 2024	**311**
Deferred consideration (Current)	311
Contingent consideration (Non-current)	-
	311

The deferred consideration comprises the remaining amounts expected to be paid in the financial year 2025 following the acquisition of Halter Holdings Pty Ltd (the parent Company of Absolute Data Group Pty Ltd and Onestrand Inc) in March 2020. Further details of the acquisition can be found in the annual report and accounts for the financial years 31 December 2020 and 31 December 2021.

26. 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.

27. Deferred tax

	Accelerated tax depreciation £000s	Other temporary differences £000s	Intangible Assets £000s	Tax losses £000s	Total £000s
At 1 January 2023	(1,312)	720	-	2,089	1,497
Charge to income	(49)	(155)	-	(715)	(919)
Credit to OCI	(28)	-	-	-	(28)
Exchange differences	-	(17)	-	-	(17)
Acquisition entry			(134)		(134)
At 1 January 2024	(1,389)	548	(134)	1,374	399
Credit / (charge) to income	475	101	69	(472)	173
Credit to OCI	20	-	-	-	20
Exchange differences	-	-	(1)	-	(1)
At 31 December 2024	**(894)**	**649**	**(66)**	**902**	**591**

The main rate of United Kingdom (UK) corporation tax increased from 19% to 25% with effect from 1 April 2024. The 25% rate has been applied in the calculation of deferred taxation balances for the UK-based entities. In each foreign subsidiary, deferred tax has been recognised at the prevailing income tax rate in the respective country.

At the reporting date the Group had unused tax losses of approximately £7.0 million (2023: £6.8 million) which are expected to be available for set-off against future profits arising in the UK. The tax effect of the deferred tax asset recognised in the Group statement of financial position is nil by virtue of it being offset in equal measure by the tax effect of the deferred tax liability arising from accelerated tax depreciation in the same UK subsidiary group.

28. Warranty provisions

	2024 £000s	2023 £000s
Warranty provisions as at 1 January	144	107
Additional warranties accrued	33	42
Warranty provisions released	(85)	(5)
Warranty provisions as at 31 December	92	144

During 2024, the warranty provisions balance has decreased due to the fulfilment of a warranty obligation on a programme delivered in 2024.

29. Share capital

	2024 £000s	2023 £000s
Authorised, issued and fully paid		
43,234,133 ordinary shares of 5p each (2023: 36,882,438)	2,162	1,844
	2,162	1,844

The Company's ordinary shares carry one vote per share, have equal rights to participate in dividends, are freely transferable and are not redeemable.

On 23 May 2024 3,831,767 ordinary shares and 1,600,000 subscription shares were issued at an average value of 25p per share for total consideration of £1.36 million.

On 2 August 2024 772,000 subscription shares were issued at an average price of 25p per share for total consideration of £0.2 million.

On 6 September 2024 147,928 ordinary shares were issued at an average price of 24p per share for a total consideration of £7k in order to satisfy subscriptions under the employee Share Incentive Plan.

30. Notes to the consolidated statement of cash flows

Cash generated from operations:

	Notes	2024 £000s	2023 £000s
Loss for the year		(2,575)	(933)
Finance costs	11	444	463
Finance income	12	(5)	(1)
Income tax (credit) / charge	13	(466)	566
Withholding tax		-	-
Depreciation of property, plant & equipment	18	306	305
Depreciation of right-of-use assets	19	194	200
Profit on disposal of property, plant and equipment		(217)	-
Amortisation of other intangible assets	17	1,644	1,330
Impairment of intangibles	17	831	-
Impairment of property, plant and equipment	18	302	-
Reversal of impairment on land and buildings valuation	18	-	(39)
Other income – RDEC (R&D)		(119)	(205)
Share-based payment		70	69
Operating cash flows before movement in working capital		409	1,755
Decrease in receivables	21	292	1,482
Decrease in inventories	20	363	21
Decrease in payables and provisions	22 / 28	(901)	(1,726)
Cash generated from operations		**163**	**1,532**
Tax received		445	117
Interest paid		(432)	(355)
Net cash generated from operations		**176**	**1,294**

Changes in financing liabilities:

	Bank overdraft £000s	Lease liabilities (note 24) £000s	Total financing liabilities £000s
At 1 January 2023	**(426)**	**(559)**	**(985)**
Cash movements:			
Change in cash and cash equivalents per cash flow statement	(1,203)	-	(1,203)
Lease repayments (principal and interest)	-	274	274
Non-cash movements:			
Effect of foreign exchange rates	(250)	1	(249)
Lease additions	-	(558)	(558)
Interest added to liability	-	(79)	(79)
At 1 January 2024	**(1,879)**	**(921)**	**(2,800)**
Cash movements:			
Change in cash and cash equivalents per cash flow statement	(300)	-	(300)
Lease repayments (principal and interest)	-	251	251
Non-cash movements:			
Effect of foreign exchange rates	(106)	31	(75)
Lease additions	-	(154)	(154)
Lease terminations	-	263	263
Interest added to liability	-	(75)	(75)
At 31 December 2024	**(2,285)**	**(605)**	**(2,890)**

31. Share-based payments

The Company operates an EMI share option scheme for certain employees of the Group (the "Scheme"). Options granted under the Scheme are exercisable at the price equal to the quoted mid-market price at the close of business on the date of grant. Exercise in all cases is subject to non-market conditions as options are forfeited if the employee leaves the Group before the options vest. The options granted to the Executive Directors in 2023 and 2024 are subject to market conditions as outlined in the remuneration report on pages 37 to 41. Details of the share options outstanding during the year are as follows:

Options granted under the Scheme

	2024		2023	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
Outstanding at 1 January	1,580,000	47.42p	1,530,000	48.16p
Granted during the year	919,473	28.85p	130,000	31.50p
Lapsed during the year	(210,000)	51.43p	(80,000)	35.30p
Outstanding at 31 December	**2,289,473**	**38.39p**	1,580,000	47.42p
Exercisable at 31 December	**360,000**	**85.12p**	420,000	87.53p

Of the 919,473 share options granted in 2024, 130,000 were granted to employees of the Group and 789,473 were granted to Executive Directors. The options held by Executive Directors are detailed in the remuneration report on pages 37 to 41. The 130,000 share options granted in 2023 were all granted to employees of the Group.

The option prices for the outstanding share options are:

	2024	2023
30 – 50p	2,009,473	1,240,000
51 – 80p	70,000	70,000
81 – 100p	100,000	140,000
101 – 135p	110,000	130,000

The fair value of the options granted during the year under the Scheme is £104k. The weighted average fair value is 11.3p.

The options outstanding at 31 December 2024 had a weighted average remaining contractual life of 3.03 years (2023: 3.89 years).

The Group recognised total expenses related to equity-settled share-based payment transactions of £70k (2023: £69k). This is for the options granted to the staff and Executive Directors.

The Black-Scholes model was used to calculate the fair value of options granted in 2024 with the following inputs:

- Expected volatility (based on historic volatility): 34.39% (2023: 39.40%)
- Risk free rate: 4.62% (2023: 3.420%)
- Expected dividend yield: 0.0% (2023: 0.0%)
- Option life: 10 years staff / 3 years executive (2023: 10 years)
- Vesting period: 3 years (2023: 3 years)

The options granted to the Executive Directors in December 2024 are subject to market based vesting conditions. The options, granted on 11th December 2024, are exercisable at 28.5p and vest in tranches linked to growth in the Company's share price. The first 50% tranche will vest upon the Company's share price trading at 50p for a period of at least 30 consecutive days. The second 25% tranche will vest upon the share price trading at 75p and the third 25% tranche at 100p. The performance conditions must be met within three years from the date of grant in order for each tranche of the options to vest. The options lapse upon the occurrence of certain events, including the termination of employment. These options are incremental to the award made to Executive Directors in 2022 under similar conditions. Details of Directors share holding interests can be found in the Directors Remuneration report on pages 37 to 41.

SIP Scheme

The SIP scheme is open to UK employees and is governed by UK legislation. It is designed to promote employee share ownership and provides tax advantages to participants. The participating employees have monthly deductions taken from their salaries each year under a salary sacrifice arrangement which are then held by the trustees of the SIP and used to purchase shares at the end of the period.

32. Employee benefits

Defined contribution

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds.

	2024 £000s	2023 £000s
Contributions payable by the Group for the year	**348**	341

33. Financial instruments

33.1 Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Group consists of cash and cash equivalents (including the bank overdraft facility) and equity comprising issued share capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

33.2 Categories of financial instruments

	2024 **£000s**	2023 £000s
Financial assets		
Measured at amortised cost		
Trade receivables	1,064	1,476
Contract assets	908	714
Other receivables	11	17
Cash and cash equivalents	1,045	1,099
	3,028	3,306
Financial liabilities		
Measured at amortised cost		
Contract liabilities	1,502	1,687
Trade payables	672	621
Other creditors	366	146
Bank overdraft	3,330	2,978
Lease liabilities	779	1,162
Deferred consideration on acquisition	311	468
	6,960	7,062

33.3 Contractual maturities of financial liabilities

All of the financial liabilities in the table above are non-derivative financial liabilities and have contractual maturities as follows:

	Within 1 year **£000**	**Within 2 – 5 years** **£000**	**After 5 years** **£000**	**Total** **£000**
Contract liabilities	1,502	-	-	1,502
Trade payables	672	-	-	672
Other creditors	366	-	-	366
Bank overdraft*	3,330	-	-	3,330
Lease liabilities	197	529	53	779
Deferred consideration on acquisition	311			311
	6,378	**529**	**53**	**6,960**

* The bank overdraft is ordinarily renewed in April of each financial year and therefore deemed to have a contract maturity of less than one year.

33.4 Financial risk management

Financial risks include market risk (principally foreign currency risk), credit risk, liquidity risk and interest risk. The Group seeks to minimise the effect of these risks by developing and applying policies and procedures which are regularly reviewed for appropriateness and effectiveness. The Group's principal financial instruments comprise cash held in current accounts, trade receivables, trade payables, other payables and borrowings that arise directly from its operations.

33.5 Foreign currency risk

The Group operates internationally, which gives rise to financial exposure from changes in foreign exchange rates. At 31 December 2024 and 31 December 2023, the Group had no commitments under forward exchange contracts.

The Canadian dollar, the Australian dollar and the American dollar are the main foreign currencies in which the Group operates. The carrying amounts of the Group's monetary assets and liabilities denominated in these currencies expressed in sterling at the reporting date are as follows:

	Liabilities		Assets	
	2024	2023	**2024**	2023
	£000s	£000s	**£000s**	£000s
Canadian $	183	189	657	886
American $	38	35	160	154
Australian $	748	1,122	363	628
Total	969	1,346	1,180	1,668

The following table details the Group's sensitivity to a 5% strengthening in Sterling against the relevant foreign currencies. The analysis includes outstanding foreign currency denominated monetary items where denominated in a currency other than the functional currency of the debtor or creditor. A positive number indicates an increase in profits and a negative number a decrease in profit. A 5% weakening of Sterling against the relevant currencies would have an equal and opposite effect on profit.

	Impact on profit	
	2024	2023
	£000s	£000s
Canadian $	(23)	(33)
American $	(6)	(6)
Australian $	18	24

33.6 Credit risk

Credit risk refers to the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations, resulting in financial loss to the Group, and arises principally from the Group's receivables from customers and bank current accounts. Major customers that wish to trade on credit terms are subject to credit verification procedures and receivable balances are monitored on an on-going basis.

The credit risk on bank current account balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. No impairments for bad or doubtful debts have been made. At the end of the financial year there are no material debts that are deemed to be past due. At 31 December 2024 and 31 December 2023 there were no significant concentrations of credit risk outside of the two customers disclosed in note 6.4. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

33.7 Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient cash to meet its financial obligations as they fall due. The Group manages its liquidity needs primarily through its cash flow forecasting process whereby an updated consolidated and entity-level forecast is produced for review by the Chief Financial Officer on a fortnightly basis. The forecast typically forecasts eighteen months ahead using weekly timebands for the current financial year and monthly timebands for the following financial year.

Cash forecasts are compiled on a prudent basis using accurate financial accounting system and bank data and are periodically stress-tested to check that the Group has adequate headroom in the event of delayed customer receipts or orders. The regularity of cash forecasting ensures that proposed payments can easily be checked against the forecast and that sufficient cash is maintained in the Group's overseas subsidiaries. Longer-term cash forecasts are developed as required by particular business scenarios determined by the Board of Directors, such as planning for an acquisition.

The forecasting process as outlined above ensures that the Group can plan ahead to ensure that sufficient cash and undrawn facilities are available for the Group to fund its ongoing operations and to meet its medium-term capital and funding obligations.

At the year end the Group had a net overdraft of £2,285k (2023: £1,879k) and net undrawn facilities of £1,215k (2023: £2,121k) against the temporarily increased overdraft facility of £3.5 million (2023: £4.0 million). The level of the Group's overdraft facility is reviewed annually.

The Group's financial obligations consist of trade and other payables and obligations under leases which are set out in notes 22 and 24 respectively.

Trade and other payables are all payable within three months.

33.8 Interest risk

The Group is from time to time exposed to interest rate risk on the bank overdraft when the Group is overdrawn. This is the only liability subject to interest rate risk at the balance sheet date. Interest is paid on bank overdraft at 2.50% (2023: 2.50%) over base rate. A 1% rise/fall in interest rates would have decreased/increased profit for the year by an immaterial amount (2023: immaterial).

34. Related party transactions

Transactions with related parties

For the Group there were no sales to, purchases from or, at the year end, balances with any related party.

Intra-group transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

Amounts paid to Group Directors who are the only key management personnel of the Group are set out in the Remuneration Report.

Dividends paid to Directors

Dividends totalling £Nil (2023: £Nil) were paid in the year in respect of ordinary shares in which the Company's Directors had a beneficial interest.

35. Business combinations

The Group did not enter into any business combinations in 2024.

On 12 April 2023, Pennant acquired the entire issued share capital of Track Access Productions Limited (“TAP”). The consideration payable for the acquisition comprised an enterprise value of £585k, plus an amount of circa £385k in respect of TAP’s ‘free cash’ after allowing for normalised working capital and repayment of debt. The acquisition was funded from the Group’s existing cash resources.

36. Audit exemptions for group companies

The following companies have exercised exemption from audit under s479A, S480A of the Companies Act 2006 and s394A of the Companies Act 2006:

- Aviation Skills Foundation Limited (s480)
- Pennant SIP Trustee Limited (s479A)
- Pennant Rail Holdings Limited (previously Pennant Support and Development Services Limited) (s479A)
- Track Access Productions Limited (S479A)

37. 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.

Company Number: 03187528

Company Statement of Comprehensive Income for the year ended 31 December 2024

	Notes	2024 £000s	2023 £000s
Continuing operations			
Management charges and licence fees receivable		3,007	3,171
Profit on sale of land		231	-
Exceptional costs		(1,062)	-
Administrative expenses		(3,996)	(3,967)
Operating loss		**(1,820)**	(796)
Finance costs	4	(48)	(63)
Loss before tax		**(1,868)**	(859)
Taxation	5	381	242
Loss after tax		**(1,487)**	(617)
Other comprehensive income		-	-
Total comprehensive loss attributable to equity holders		**(1,487)**	(617)

Company Statement of Financial Position at 31 December 2024

	Notes	2024 £000s	2023 £000s
Non-current assets			
Investment in subsidiaries	6	6,763	6,763
Other intangible assets	8	4,901	5,608
Right of Use assets	9	63	47
Total non-current assets		**11,727**	12,418
Current assets			
Trade and other receivables	10	55	43
Amounts due from subsidiaries		3,848	3,365
Corporation tax recoverable		145	137
Total current assets		**4,048**	3,545
Total assets		**15,775**	15,963
Current liabilities			
Trade and other payables	11	219	369
Bank overdraft	12	167	562
Amounts due to subsidiaries		7,345	6,729
Lease liabilities	13	20	17
Total current liabilities		**7,751**	7,677
Net current liabilities		**(3,703)**	(4,132)
Non-current liabilities			
Lease liabilities	13	40	28
Deferred tax liability	14	367	616
Total liabilities		**8,158**	8,321
Net assets		**7,617**	7,642
Equity			
Share capital	15	2,162	1,844
Share premium account		6,457	5,383
Capital redemption reserve		200	200
Retained earnings		(1,202)	215
Total equity		**7,617**	7,642

Approved by the Board and authorised for issue on 23 April 2025.

D Wiggins, Director

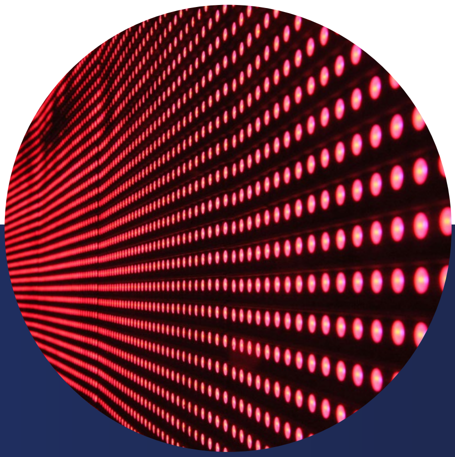
The accompanying notes on pages 96 to 104 are an integral part of these financial statements.

Company Statement of Changes In Equity for the year ended 31 December 2024

	Share capital £000s	Share Premium £000s	Capital redemption reserve £000s	Retained earnings £000s	Total equity £000s
At 1 January 2023	1,840	5,366	200	763	8,169
Total comprehensive loss for the year	-	-	-	(617)	(617)
Issue of new ordinary shares	4	17	-	-	21
Recognition of share-based payment	-	-	-	69	69
At 1 January 2024	1,844	5,383	200	215	7,642
Total comprehensive loss for the year	-	-	-	(1,487)	(1,487)
Issue of new ordinary shares	318	1,252	-	-	1,570
Issue costs	-	(178)	-	-	(178)
Recognition of share-based payment	-	-	-	70	70
At 31 December 2024	2,162	6,457	200	(1,202)	7,617

Note: see page 60 for a description of the reserves appearing in the column headings of the table above.





Company Statement of Cash Flows for the year ended 31 December 2024

	Notes	**2024**	2023
		£	£
Net cash from operations	16	**(1,200)**	**679**
Investing activities			
Purchase of property, plant & equipment	7	(223)	-
Proceeds from disposal of property, plant & equipment	7	454	-
		231	**-**
Financing activities			
Proceeds from issue of ordinary shares	15	1,392	21
Repayment of lease liabilities	13	(28)	(25)
Net cash generated from financing activities		**1,364**	**(4)**
Net increase in cash and cash equivalents		**395**	**675**
Cash and cash equivalents at beginning of year		(562)	(1,237)
Cash and cash equivalents at end of year		**(167)**	**(562)**

Notes to the Company Financial Statements for the year ended 31 December 2024

1. Accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by the Act the separate financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS"). The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements with the following exceptions;

Investments in subsidiaries which are stated at cost less, where appropriate, provisions for impairment.

Inter group amounts receivable/payable - amounts owed to/from group undertakings are measured at amortised cost and are repayable on demand.

Key sources of estimation uncertainty

The following are the critical judgements and estimations that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Investment in subsidiaries

The Company determines whether investments are impaired on an annual basis. This requires an estimation of the value in use of the subsidiary investment. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Key assumptions used in these estimations relate to revenue growth; should revenue growth not be achieved in line with forecasts there may be potential impairment in the future.

Impairment of other intangible assets

The Company determines whether other intangible assets are impaired on an annual basis. This requires an estimation of the value in use of the cash generating units to which the other intangible assets are allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. See note 8 for further disclosure.

2. Operating loss

The operating loss is stated after amortisation of other intangible assets of £1,537k (2023: £1,362k) which is included in Administrative expenses in the Statement of Comprehensive Income. The auditor's remuneration for audit and other services is disclosed in note 10 to the consolidated financial statements.

Exceptional costs, as defined in the notes to the Group financial statements, comprise the costs of an aborted acquisition (£217k), restructuring costs (£194k) and a charge for the impairment of intangibles resulting from the restructuring program (£651k).

3. Staff costs

The aggregate remuneration comprised:

	2024 £000s	2023 £000s
Wages and salaries [1]	1,542	1,416
Social security costs	185	164
Other pension costs	94	92
	1,821	1,672

[1] includes termination costs of £185k resulting from the restructuring exercise.

The average number of persons, including Executive Directors employed by the Company during the year was 7 (2023: 5).

4. Finance costs

	2024 £000s	2023 £000s
Interest expense	48	63

5. Taxation

	2024 £000s	2023 £000s
Current tax credit	132	268
Deferred tax (charge) / credit	249	(26)
Tax credit for the year	**381**	242
Reconciliation of effective tax rate		
Loss before tax	**(1,868)**	(859)
Tax at applicable rate of 25.0% (2023: 19.0%)	467	202
Effect of expenses that are not deductible for tax	(36)	(61)
Effect of other transfers and adjustments	(38)	(30)
Effect of adjustments for prior years	(12)	131
Total tax credit	**381**	242

6. Subsidiaries

Details of the Company's subsidiaries at 31 December 2024 are as follows:

Subsidiary name	Registered office	Proportion of ownership
Pennant International Limited	Unit D1 Staverton Connection, Staverton, Cheltenham, GL51 0TF	100%
Pennant Rail Holdings Limited*	Unit D1, as above	100%
Track Access Productions Limited**	Unit D1, as above	100%
Aviation Skills Foundation Limited***	Unit D1, as above	100%
Pennant SIP Trustee Limited	Unit D1, as above	100%
Pennant Canada Limited	1400 Blair Place, Suite 100, Ottawa, Ontario K1J 9B8, Canada	100%
Pennant Australasia Pty Limited	Suite 2, Building 25, 270 Ferntree Gully Road, Notting Hill, Victoria 3168, Australia	100%
Pennant Information Services Inc.	1400 Blair Place, as above	100%
Halter Holdings Pty Ltd****	GPO Box 2890, Brisbane, Queensland 4001, Australia	100%
Absolute Data Group Pty Ltd****	GPO Box 2890, as above	100%
Pennant America Inc.	399 Boylston St. 6th Floor, Boston MA 02116, USA	100%

* Previously Pennant Support & Development Services Limited
** Subsidiary of Pennant Rail Holdings Limited
*** Struck off 21 May 2024
**** Subsidiary of Pennant Australasia Pty Limited

The investments in subsidiaries are all stated at cost as follows in the table below:

Cost of investment	£000s
Cost of investment – beginning of year	6,763
Cost of investment – end of year	6,763
Impairment – beginning of the year	-
Impairment – end of year	-
Net cost of investment – end of year	**6,763**
Net cost of investment – beginning of year	6,763

7. Property, Plant & Equipment

	Development costs £000s	Total £000s
Cost / Valuation		
At 1 January 2024	-	-
Additions	223	-
Disposals	(223)	-
At 31 December 2024	**-**	**-**

On 27 March 2024 the Parent Company exercised its option to purchase an industrial / office unit which the Group had leased and occupied since January 2019 (Unit C1, Herrick Way, Staverton Technology Park, Staverton, Cheltenham GL51 6TQ).

8. Other intangible assets

	Development costs £000s
Cost	
At 1 January 2023	7,595
Additions	1,550
At 31 December 2023	9,145
Additions	1,481
At 31 December 2024	**10,626**
Amortisation	
At 1 January 2023	2,175
Charge for the year	1,362
At 31 December 2023	3,537
Charge for the year	1,537
Impairment	651
At 31 December 2024	**5,725**
Carrying amount	
At 31 December 2024	**4,901**
At 31 December 2023	5,608

Additions in the year relate to product development services carried out on behalf of the company by its operating subsidiaries, payments are settled through inter company transactions.

£651k 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 to the group accounts, no further impairment to other intangible assets was deemed necessary.

9. Right-of-use assets

	Motor vehicles £000s
Valuation	
At 1 January 2023	25
Additions	41
Depreciation	(19)
At 1 January 2024	47
Additions	37
Depreciation	(21)
At 31 December 2024	**63**

10. Trade and other receivables

Trade and other receivables principally comprise prepaid overhead costs and recoverable VAT. The carrying amount approximates to their fair value.

11. Trade and other payables

Trade and other payables principally comprise amounts outstanding or accrued for services and ongoing costs. The carrying amount approximates to their fair value.

12. Borrowings

Details of the Group overdraft arrangements are set out in note 26 to the consolidated financial statements.

13. Lease liabilities

	Motor vehicles £000s
Valuation	
At 1 January 2023	27
Additions	41
Interest expense (presented as operating cash flow)	2
Repayments (principal and interest)	(25)
At 1 January 2024	45
Additions	37
Interest expense (presented as operating cash flow)	5
Repayments (principal and interest)	(27)
At 31 December 2024	**60**
Current	20
Non-current	40

In 2024 short-term lease rentals expensed amounted to £Nil (2021: £Nil). The total cash outflow in respect of leases (right-of-use and short-term expensed rentals) was £25k.

There were no low value leases or variable lease payments excluded from lease liabilities. This is not likely to significantly change in the year ahead.

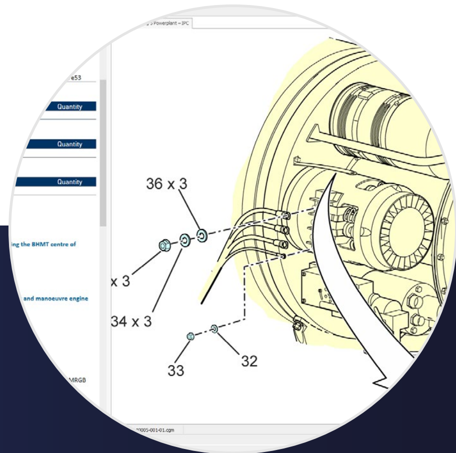
Lease payments due	**2024** £000s	2023 £000s
Within 1 year	25	21
In 1-5 years	44	33
	69	54
Finance charges	(9)	(9)
Net present value	**60**	45

14. Deferred tax

	Accelerated tax depreciation **£000s**	**Tax losses** **£000s**	**Total** **£000s**
At 1 January 2023	(719)	129	(590)
(Charge) / credit to income	(50)	24	(26)
At 1 January 2024	(769)	153	(616)
Credit to income	152	97	249
At 31 December 2024	**(617)**	**250**	**(367)**

15. Share capital

Details are set out in note 29 to the consolidated financial statements.



16. Notes to the cash flow statement

Cash generated from operations:

	2024 £000s	2023 £000s
Loss for the year	(1,487)	(617)
Net finance costs / (income)	48	63
Amortisation	1,537	1,362
Impairment of intangible assets	651	-
Depreciation charge – right-of-use asset	21	19
Profit on disposal of property, plant & equipment	(231)	-
Income tax credit	(381)	(242)
Share-based payment	70	69
Operating cash flows before movement in working capital	228	654
Increase in receivables	(1,211)	(1,725)
(Decrease) / Increase in payables	(293)	1,633
Cash (used in) / generated from operations	(1,276)	562
Tax received	124	180
Interest paid	(48)	(63)
Net cash generated from operations	**(1,200)**	679

Changes in financing liabilities:

	Bank overdraft £000s	Lease liabilities (note 13) £000s	Total financing liabilities £000s
At 1 January 2023	**(1,237)**	**(27)**	**(1,264)**
Cash movements:			
Change in cash and cash equivalents per cash flow statement	675	-	675
Lease repayments (principal and interest)	-	25	25
Non-cash movements:			
Lease terminations	-	(41)	(41)
Interest added to liability	-	(2)	(2)
At 1 January 2024	**(562)**	**(45)**	**(607)**
Cash movements:			
Change in cash and cash equivalents per cash flow statement	395	-	395
Lease repayments (principal and interest)	-	27	27
Non-cash movements:			
Lease additions	-	(37)	(37)
Interest added to liability	-	(5)	(5)
At 31 December 2024	**(167)**	**(60)**	**(227)**

17. Financial instruments

The Company's approach to the management of capital and market risks is set out in note 33 to the consolidated financial statements. To address its liquidity risk the Company ensures that sufficient cash and undrawn facilities are available to fund ongoing operations and to meet its medium-term capital and funding obligations. The Company is from time to time exposed to interest rate risk on its bank overdraft facility. Interest is paid on its bank overdraft at 2.50% (2023: 2.50%) over base rate. A 1% rise/fall in interest rates would have decreased/ increased profit for the year by an immaterial amount (2023: immaterial). The Company is not exposed to foreign currency risks.

Categories of financial instruments

	2024 £000s	2023 £000s
Financial assets		
Measured at amortised cost		
Trade and other receivables	55	14
Amounts due from subsidiaries	3,848	3,365
	3,903	3,379

	2024 £000s	2023 £000s
Financial liabilities		
Measured at amortised cost		
Bank overdraft	167	562
Trade and other payables	70	113
Amounts due to subsidiaries	7,345	6,729
	7,582	7,404

18. Contingent liabilities

The Company is party to a group registration for the purposes of Value Added Tax (VAT). Members of the group are jointly and severally liable for the total tax due. The total amount of VAT payable by the group registration and not accrued in the statement of financial position was £Nil (2023: £Nil).

19. Related party transactions

Transactions with related parties consist of:

Sales to subsidiary companies

Management and licence charges

	2024 £000s	2023 £000s
Pennant International Limited	1,527	1,612
Track Access Productions Limited	119	68
Pennant Canada Limited	555	739
Pennant Australasia Pty Limited	699	658
Pennant America Inc.	108	97
	3,008	3,174

Management fees, accounted for on an accruals basis, represent the charges for central services provided by the parent company to its subsidiary entities.

License fees, accounted for on an accruals basis, are charged by the parent company to its subsidiaries as compensation for the right of use of the intellectual property that is owned by the parent company.

Purchases from subsidiary companies

Product development services*

	2024 £000s	2023 £000s
Pennant International Limited	759	662
Pennant Canada Limited	292	272
Pennant Australasia Pty Limited	376	515
Pennant America Inc.	54	99
	1,481	1,548

*capitalised as other intangible assets

Salaries and other expenses settled on behalf of the Company

Pennant International Limited	1,577	1,580

Intercompany balances between the Company and its subsidiaries at the year end were as follows:

Amounts due from subsidiaries

	2024 £000s	2023 £000s
Pennant Rail Holdings Limited	1,964	1,789
Pennant Canada Limited	238	390
Pennant Australasia Pty Limited	1,410	1,011
Pennant SIP Trustee Limited	19	-
Pennant America Inc.	217	175
	3,848	3,365

Amounts due to subsidiaries

Pennant International Limited	4,284	3,725
Track Access Productions Limited	139	74
Pennant Information Services Inc.	560	551
Absolute Data Group Pty Limited	2,362	2,379
	7,345	6,729

20. Going Concern

Please refer to note 3 of the Group consolidated financial statements for an overview of the going concern assessment for the Group including its parent company.

21. Post Balance Sheet Events

Please refer to note 37 of the Group consolidated financial statements for details of all and any post balance sheet events related to the Group and its parent company.

Shareholder Information and Financial Calendar

Shareholder enquiries

If you have an enquiry about the Company's business, or about something affecting you as a shareholder (other than queries that are dealt with by the Neville Registrars as registrar), you should contact the Company Secretary by letter to the Company's registered office or by email to cosec@pennantplc.co.uk

Share register

Neville Registrars maintain the register of members of the Company.

If you have any questions about your personal holding of the Company's shares, please contact Neville Registrars using the following details:

Neville House
Steelpark Road
Halesowen
B62 8HD

Telephone: 0121 585 1131

If you change your name or address (or we write to you and have mis-addressed the correspondence), please notify the registrars in writing or contact them using the details above.

Financial calendar

Annual General Meeting – 6 June 2025

Expected announcement of results for the year ending 31 December 2025:

> Half-year announcement - September 2025
> Full-year preliminary announcement - April 2026

Daily share price listings

The Financial Times - AIM

Officers and Professional Advisers

Directors	I Dighé (Chair) (appointed 7 February 2024) P H Walker FCA (Chief Executive Officer) D J Clements D J Wiggins (appointed 20 November 2024) D Wilkinson K P van Der Leest (appointed 3 September 2024) J Kempster (appointed 18 July 2024)
Secretary	D J Clements
Registered office	Unit D1 Staverton Connection Staverton Cheltenham Gloucestershire GL51 0TF
Company number	03187528
Auditor	S&W Partners Audit Limited (formerly CLA Evelyn Partners Limited) Cumberland House 15-17 Cumberland Place Southampton SO15 2BG
Bankers	HSBC UK Bank Plc 2 The Promenade Cheltenham GL50 1LR
Nominated Adviser	Zeus Capital 125 Old Broad Street London EC2N 1AR
Broker	Cavendish Capital Markets Limited One Bartholomew Close London EC1A 7BL

Company Number: 03187528

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