FOR IMMEDIATE RELEASE **22 September 2021**

PENNANT INTERNATIONAL GROUP PLC

Interim Results for the six months ended 30 June 2021

Challenging First Half; improved outlook for second half, 'on track' for year as a whole; £1 million saving in admin costs being realised; next generation product investment commenced

Pennant International Group plc (AIM:PEN) ("**Pennant**", the "**Group**" or "**Company**"), a leading global provider of training technology and integrated product support solutions, announces its Interim Results for the six months ended 30 June 2021 (the "**First Half**", the "**Period**", or "**H1 2021**").

Commenting on the results, Chairman John Ponsonby said:

"The Half Year results mask a particularly encouraging performance from the Group's IPS division, while the decisive actions taken last year to reduce costs resulted in significant savings during the First Half, positioning the Group well for the second half and into 2022."

"I would like to thank all Pennant employees, who have worked tirelessly during the First Half, drawing on Pennant's long heritage to deliver our impressive breadth of products and capabilities."

Key points: Financial

- Group revenues for the Period of £7.4 million (H1 2020: £6.3 million);
- gross margin of 21% (H1 2020: 18%);
- EBITA loss of £1.0 million (H1 2020: loss before interest, taxation and amortisation of £2.5 million);
- loss before tax of £1.7 million (H1 2020: loss before tax of £3.2 million);
- savings implemented during 2020 now being realised, with administration costs for the Period of £3.2 million against £4.3 million for the first six months of 2020 (NB: H1 2020 administration costs included £0.5 million of non-underlying costs);
- net cash generated from operations of £0.2 million (H1 2020: cash generated from operations of £4.5 million);
- net debt at Period end of £1.9 million (H1 2020: net cash of £2 million);
- trade and other receivables of £3.7 million (H1 2020: £3.7 million);
- basic (loss) per share of (4.64)p per share (H1 2020: basic (loss) per share of (8.88)p per share);
- unrelieved tax losses of £4.5 million carried forward (H1 2020: £2.8 million).

Key points: Operational

- Expansion of Integrated Product Support business, with new customers in new sectors: commercial aviation and private space exploration;
- commencement of internally-funded development of Omega PS successor product (redesigned to ensure legacy, current and future LSA standards are quickly and easily supported, with a modern, easy to use interface);
- enhanced operational footprint in Australia and United States to deliver software and consultancy programmes;

- critical design review successfully passed on UK Helicopter trainer programme, on time and on budget;
- after significant Covid-19 related delays, successful installation and commission of generic training devices in Qatar, enabling revenue to be recognised;
- completion of build and factory acceptance on products for second Middle East customer, ready for delivery and installation in the second half;
- continuing challenges on the MTE Programme negatively impacting the financial performance of the Technical Training business;
- the appointment of John Ponsonby as Chair.

Commenting on the Group's prospects, John Ponsonby added:

"Looking forward, there is much reason for optimism. Recent industry engagements (such as at the DSEI trade show), and the forging of new partnerships with OEMs and other complementary companies, have firmly highlighted that our customer community is highly positive about the Group's approach to technological innovation. We are invested in continuous innovation for both the TTD and IPS product ranges (as evidenced by the commencement of the development of the OmegaPS successor product), and have a pipeline of sales opportunities across the globe.

After a challenging First Half, we are pleased that the Company remains on course to meet expectations for the year. The Board is committed to delivering the Group Strategy and is keenly focussed on improving Group performance in 2022.

Whilst the last two years have been extremely challenging to all in the Group, the Board is confident that the Group's long-term prospects are positive and I look forward to updating shareholders further in due course."

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) ("MAR") prior to its release as part of this announcement and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

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Pennant International Group plc

Interim Report for the six months ended 30 June 2021

Chairman's Statement

On behalf of the Board of Directors, I can report that the Group recorded a pre-tax loss for the six months ended 30 June 2021 of £1.7 million (H1 2020: pre-tax loss of £3.2 million).

I would like to thank all Pennant employees, who have worked tirelessly during the First Half, drawing on Pennant's long heritage to deliver our impressive breadth of products and capabilities.

Results and dividend

Revenues for the Period were higher than the equivalent period in 2020 at £7.4 million (H1 2020: £6.3 million).

This increase was largely attributable to generic products achieving acceptance events and progress on engineered-to-order programmes in the Technical Training division, combined with strong performance in the Integrated Product Support division.

The gross profit margin for the Period was 21% (H1 2020: 18%) due to the sales mix and the significant proportion of revenues attributable to the MTE Programme (which is trading at a low margin). It is anticipated that gross margin for the year as a whole will be in the region of 30%.

Administrative costs for the Period reduced to £3.2 million (H1 2020: £4.3 million), following management's comprehensive costs review carried out during 2020 which achieved annualised savings of circa £1 million. It should be noted H1 2020 administration costs included £0.5 million of non-underlying costs (£0.4 million restructuring expenses and £90k aborted transaction costs).

The Group ended the Period with net debt of £1.9 million (H1 2020: £2.0 million net cash), reflecting the scheduled cash outflows from materials purchasing and production activities during the Period.

Total assets at Period end were £20.6 million (H1 2020: £21.3 million).

The basic loss per share for the Half Year was (4.64)p compared to a loss of (8.88)p for the same period last year.

A minimal effective tax rate is expected for the full year due to unrelieved tax losses of £4.5 million carried forward at the Half Year (H1 2020: £2.8 million) and with R&D tax credit claims in progress.

The Group's three-year order book reduced during the Period ending at £26 million (H1 2020: £36 million) which is scheduled for delivery as follows: £7.2 million in H2 2021, £8.7 million in 2022, £7.8 million in 2023 and the balance in H1 2024. Order intake during the Period was at relatively low levels, not least due to reduced customer procurement activity induced by the Covid-19 pandemic and, in the UK, the completion of the Integrated Review of Security, Defence, Development and Foreign Policy. Further detail is provided in the 'Technical Training division' segment of the review below.

The Directors have concluded that it is in the best interests of the Company and its shareholders to retain cash at this time for expected working capital requirements, particularly given the ongoing pandemic. The Board will therefore not be declaring an interim dividend but will continue to review the Group's dividend policy based on performance, cash generation and working capital and investment requirements.

Divisional Performance & Operational Commentary

Integrated Product Support (IPS) division

Overview

The Group's IPS business develops and supplies Pennant's two proprietary software product suites, OmegaPS and R4i. OmegaPS is a sophisticated logistics data tool; R4i provides its users with a dynamic, S1000D-compliant technical documentation solution.

In addition, the IPS business provides long-term recurring consultancy, support and maintenance services on both software suites to its many customers which include the Canadian and Australian defence departments and their respective supply bases.

New Customers, New Sectors

The Period saw significant market demand for the specialist capabilities of the R4i suite, with the S1000D technical documentation standard being utilised on an increasing number of military and civilian engineering projects. The IPS business is growing beyond its traditional defence base, with new customers acquired in new sectors during the Period including commercial aviation and space exploration.

The Group anticipates that demand for these capabilities will remain strong and grow, reinforcing the Board's decision last year to acquire Absolute Data Group, the company which developed R4i. With the development of an OmegaPS successor product, 'GenS' (see below), the Group will be able to provide a cutting-edge, end-to-end solution for customers' data and documentation needs.

The IPS division continues to build its capability to provide complementary services, particularly in niche capabilities such as S1000D consultancy, where international demand for specialist skills is strong. In support of this expansion, an enhanced operational footprint has been established in the United States to deliver these exciting software and consultancy programmes.

Product Investment

Development of GenS, the successor product to OmegaPS, commenced during the Period with the first software release successfully taking place post Period end.

GenS will represent the next generation of Logistics Support Analysis/Logistics Product Data technology, with a modern, easy to use interface and functionality deployable 'on premise' or as a software as a service. GenS, when combined with the R4i S1000D Technical Publishing suite; will transform customers Integrated Product Support capabilities into a truly integrated digital capability and reduce program delivery costs.

Financial Performance

The IPS division's financial performance during the Period was as follows:

	H1 2021 **£m**	**H1 2020** **£m**
Revenue		
Products/Licences	0.4	0.3
Maintenance	0.6	0.5
Services	1.6	1.7
Total	**2.6**	**2.5**
Divisional contribution*	0.4	0.2
Allocation of Group costs	(0.4)	(0.3)
Profit/(Loss) for the Period**	0.0	(0.1)

* Divisional contribution to Group operating performance prior to allocation of Group costs
** Divisional contribution to Group operating loss after allocation of Group costs

Looking Forward

The division's pipeline is strong and the Group expects the acquisition of new customers to continue during the second half and beyond, with multiple opportunities in the United States, Canada and Australia within the division's £14 million sales pipeline.

Indeed, post Period end, orders worth £1.5 million have been received for the division's software products and complementary services, with the majority of these revenues realisable over the next 12 months. The division remains 'on track' for revenues of £5.8 million for the full year.

Furthermore, to complement the division's traditional strength in North America and Australasia, the Group will be increasing its focus on the European market to coincide with the launch of GenS (the first release of which took place post Period end, with the fully completed product scheduled for launch in late 2022).

Technical Training Division (TTD)

Overview

The Group's TTD is focused on the design and build of generic and platform-specific training technologies and the provision of related technical and support services for the defence, aerospace, rail and other safety critical industries.

Half Year Performance

At present, TTD continues to be the main driver of revenues within the Group. A review of key programmes is provided below.

General Dynamics Contract

The contract for electro-mechanical trainers for the Ajax armoured fighting vehicle (the "**MTE Programme**") was awarded to the Group by General Dynamics in 2015.

The division's H1 performance was significantly impacted by factors relating to the MTE Programme, including:

- the engineering complexity of emulating a vehicle which itself remains under ongoing review and development;
- deficiencies in the provision of OEM data and dependencies;
- challenges within Pennant's own supply chain, including delays and increases in the prices of parts and materials due to global shortages; and
- workplace restrictions and residual impacts relating to Covid-19.

Pennant is working closely with General Dynamics to resolve any remaining challenges and ensure a successful delivery. It is now anticipated that the MTE Programme will be completed during the first quarter of 2022.

UK Helicopter contract

Delivery of the UK Helicopter trainer programme progressed well during the Period, with Pennant passing the Critical Design Review (an important engineering and cash milestone event) on time and on budget.

Generic Product Sales

After significant Covid-19 related delays during 2020, various generic training devices were successfully installed and commissioned in Qatar during the Period, enabling associated revenue to be recognised.

The build and factory acceptance of an additional product suite for a second Middle East customer was also completed during the Period, ready for delivery and installation in the second half.

Financial performance for the Period as follows:

	H1 2021 £m	**H1 2020 £m**
Revenue		
Engineered	2.7	1.2
Generic	0.3	0.8
Technical Services & Support	1.8	1.8
Total	**4.8**	**3.8**
Divisional contribution*	(1.1)	(2.5)
Allocation of Group costs	(0.6)	(0.6)
Loss for the Period**	(1.7)	(3.1)

* Divisional contribution to Group operating performance prior to allocation of Group costs
** Divisional contribution to Group operating loss after allocation of Group costs

Evolution of TTD

The Board fully recognises the inherent challenges presented by TTD's business model: 'lumpiness' of revenues and technical risk in delivery, and has a detailed plan to address these (which aligns with changes in the training market generally).

With the increasing focus amongst training providers on the utilisation of smart technologies, the Period saw TTD continue its drive to develop, sell and maintain innovative software-based training solutions including Virtual Reality, Augmented Reality and sophisticated vehicle platform emulations. Use of such solutions not only brings cost benefits and safety improvements for the training organisation but is also popular with students.

The action plan is to evolve the Group's TTD offering so that it generates a greater proportion of its revenues from software and services. As an example, during the Period, Pennant won a contract to develop a prototype software simulation for a major infrastructure organisation which has the potential to generate significant follow-on sales.

Pennant will still compete to win hardware-based programmes where attractive opportunities exist. For example, based on market intelligence, the Group is optimistic for the medium term regarding future sales of its proprietary generic training aids (such as GenFly and IAMT) in support of aviation training colleges (along similar lines to the Qatar programme and the 2016 Middle East contracts).

As this repositioning continues, management envisages that TTD revenues may decrease (as reliance on costly 'engineered to order' programmes reduces) but that quality of earnings (margin and recurrence) will substantially improve.

Opportunities may arise, as TTD evolves, to re-assess the physical and other resources currently allocated to the division which may enable further costs savings and/or the re-allocation of capital within the wider business.

Looking Forward

The efforts described above to reposition the TTD business can be seen in the division's current sales pipeline which, at Period end, stood at approximately £25 million (excluding the 'Major Programme'), of which circa 80% comprised opportunities for software, services and/or repeat build generic products.

In the core UK market, customer procurement activity has slowed due to Covid-19 and the completion of the Integrated Review of Security, Defence, Development and Foreign Policy. With the review now completed and published, and Covid-19 fall out abating, the Group expects to receive further news during the second half from its prospective customer and/or UK Defence regarding the 'Major Programme' which will, it is hoped, definitively confirm whether a contract is to be awarded, the scope of supply and ultimate value.

More generally, the Group expects TTD to be a beneficiary of two market factors: the UK government's renewed focus on buying British, particularly from Small and Medium-sized Enterprises (as articulated this year in the 'Defence and Security Industrial Strategy); and the global trend mentioned above towards innovative, technology-focused and enhanced training.

Outlook

I am very proud to have been appointed the Company's Chairman during the Period, and I have been extremely grateful to all Pennant employees who have worked tirelessly to achieve Half Year results that represent a sound basis for delivering a much more positive second half performance.

The Half Year results mask particularly encouraging performance from the IPS division, and the decisive actions taken last year to reduce costs are having a positive impact which is positioning the Group well for the second half and into 2022.

Looking forward, there is much reason for optimism. Recent industry engagements (such as at the DSEI trade show), and the forging of new partnerships with OEMs and other complementary companies, have firmly highlighted that our customer community is highly positive about the Group's approach to technological innovation. We are invested in continuous innovation for both the TTD and IPS product ranges (as evidenced by the commencement of the development of the OmegaPS successor product), and have a pipeline of sales opportunities across the globe.

After a challenging First Half, we are pleased that the Company remains on course to meet expectations for the year. The Board is committed to delivering the Group Strategy and is keenly focussed on improving Group performance in 2022.

None of this will be possible without the continued support of our employees and once again, on behalf of the Board, I wish to applaud the commitment of staff across the Group, who continue to draw on Pennant's long heritage to deliver our impressive breadth of products and capabilities.

Whilst the last two years have been extremely challenging to all in the Group, the Board is confident that the Group's long-term prospects are positive and I look forward to updating shareholders further in due course.

J M M Ponsonby
Chairman

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 Unaudited	Six months ended 30 June 2020 Unaudited	Year ended 31 December 2020 Audited
		£000s	**£000s**	**£000s**
Revenue		7,427	6,258	15,056
Cost of sales		(5,837)	(5,152)	(10,676)
Gross profit		1,590	1,106	4,380
Administration expenses		(3,222)	(4,269)	(7,919)
Other income		-	-	525
Operating (loss)		(1,632)	(3,163)	(3,014)
Finance costs		(64)	(71)	(125)
Finance income		-	-	0
(Loss) before taxation		(1,696)	(3,234)	(3,139)
Taxation	**2**	-	-	513
(Loss) for the period		(1,696)	(3,234)	(2,626)
Earnings per share	**3**			
Basic		(4.64p)	(8.91p)	(7.22p)
Diluted		(4.64p)	(8.91p)	(7.22p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2021

	Six months ended 30 June 2021 Unaudited	Six months ended 30 June 2020 Unaudited	Year ended 31 December 2020 Audited
	£000s	**£000s**	**£000s**
(Loss) attributable to equity holders of the parent	(1,696)	(3,234)	(2,626)
Other comprehensive income			
Exchange differences on translation of foreign operations	(90)	(57)	41
Deferred tax credit - property, plant and equipment and intangibles	-	-	(18)
(Loss) attributable to equity holders of the parent	(1,786)	(3,291)	(2,603)

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2021

	Six months ended 30 June 2021 Unaudited	Six months ended 30 June 2020 Unaudited	Year ended 31 December 2020 Audited
	£000s	£000s	£000s
Non-current assets			
Goodwill	2,428	2,134	2,428
Other intangible assets	5,178	5,352	5,570
Property plant and equipment	5,719	6,094	5,904
Right Of Use Asset	736	872	830
Deferred tax asset	91	-	91
Total non-current assets	14,152	14,452	14,823
Current assets			
Inventories / work-in-progress	1,930	1,027*	1,081
Trade and other receivables	3,661	3,695*	4,884
Cash and cash equivalents	749	2,033	533
Current tax asset	99	82	1,439
Total current assets	6,439	6,837	7,937
Total assets	20,591	21,289	22,760
Current liabilities			
Trade and other payables	4,379	3,992*	4,120
Current tax liabilities	83	96*	200
Obligations under finance and operating leases	193	287	193
Bank overdraft	2,676	-	2,892
Earn out on acquisition	355	1,198	367
Provisions	-	513	-
Total current liabilities	7,686	6,086	7,772
Net current (liabilities) / assets	(1,247)	751	165
Non-current liabilities			
Obligations under finance and operating leases	600	668	720
Deferred tax liabilities	192	1,021	192
Earn out on acquisition	1,141	1,699	1,421
Warranty provisions	122	-	122
Total non-current liabilities	2,055	3,388	2,455
Total liabilities	9,741	9,474	10,227
Net assets	10,850	11,815	12,533
Equity			
Share capital	1,832	1,822	1,822
Share premium	5,348	5,295	5,295
Capital redemption reserve	200	200	200
Retained earnings	2,595	3,511	4,243
Translation reserve	200	192	290
Revaluation reserve	675	795	683
Total equity	10,850	11,815	12,533

* These balances have been reclassified within the Statement of Financial Position at 30 June 2020 to align with the audited Financial Statements at 31 December 2020. These reclassifications do not impact the Income Statement or any of the reserves.

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2021

	Six months ended 30 June 2021 Unaudited £000s	Six months ended 30 June 2020 Unaudited £000s	Year ended 31 December 2020 Audited £000s
Net cash generated from operating activities	**230**	**4,498**	**3,145**
Investing activities			
Interest received	-	-	0
Payment for acquisition of subsidiary, net of cash acquired	(536)	47	(791)
Purchase of intangible assets	(260)	(313)	(1,283)
Purchase of property plant and equipment	(48)	(51)	(118)
Net cash used in investing activities	(844)	(317)	(2,192)
Financing activities			
Proceeds from sale of ordinary shares	64	46	45
Net (repayment of) obligations under operating lease	(121)	(88)	(277)
Net cash used in financing activities	(57)	(42)	(232)
Net (decrease) / increase in cash and cash equivalents	**(671)**	**4,139**	**721**
Cash and cash equivalents at beginning of period	(1,453)	(2,242)	(2,242)
Effect of foreign exchange rates	197	136	68
Cash and cash equivalents at end of period	**(1,927)**	**2,033**	**1,453**

PENNANT INTERNATIONAL GROUP plc
STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2021

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Translation reserve	Revaluation reserve	Total equity
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
At 31 December 2019	1,806	5,100	200	6,759	249	730	14,844
Total comprehensive income	-	-	-	(2,626)	-	-	(2,626)
Other comprehensive income	-	-	-	-	41	(18)	23
Total comprehensive income	1,806	5,100	200	4,133	290	712	12,241
Issue of New Ordinary Shares	16	195	-	-	-	-	211
Recognition of share based payment	-	-	-	81	-	-	81
Transfer from revaluation reserve	-	-	-	29	-	(29)	-
At 31 December 2020	1,822	5,295	200	4,243	290	683	12,533
Total comprehensive income	-	-	-	(1,696)	-	-	(1,696)
Other comprehensive income	-	-	-	-	(90)	-	(90)
Total comprehensive income	1,822	5,295	200	2,547	200	683	10,747
Issue of New Ordinary Shares	10	53	-	-	-	-	63
Recognition of share based payment	-	-	-	40	-	-	40
Transfer from revaluation reserve	-	-	-	8	-	(8)	-
At 30 June 2021	1,832	5,348	200	2,595	200	675	10,850

PENNANT INTERNATIONAL GROUP plc
NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2021

1. Basis of preparation

This condensed set of financial statements has been prepared using accounting policies expected to be adopted for the year ending 31 December 2021.

These accounting policies are drawn up in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006.

The comparative figures for the year ended 31 December 2020 set out in this Interim Report are not statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498 (2) or s498(3) of the Companies Act 2006.

AIM-quoted companies are not required to comply with IAS34 'Interim Financial Reporting' and the Company has taken advantage of this exemption.

2. Taxation

The taxation charge for the Period is based on the estimated rate of tax that is likely to be effective for the full year to 31 December 2021.

3. Earnings per share

Basic earnings per share are calculated by dividing the profit for the Period attributable to the shareholders by the weighted average number of shares in issue. The calculation of diluted earnings per share does not take into account the potentially diluting effect of share options as this impact would be antidilutive to the losses attributable to equity shareholders.

	Six months ended 30 June 2021 Unaudited	**Six months ended 30 June 2020 Unaudited**	**Year ended 31 December 2020 Audited**
	£000s	**£000s**	**£000s**
Earnings			
Net (loss) attributable to equity shareholders	(1,696)	(3,234)	(2,626)
Number of shares	Number	Number	Number
Weighted average number of ordinary shares	36,543,371	36,316,163	36,381,274
Diluting effect of share options	1,819,043	2,305,710	2,147,376
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	38,362,414	38,621,873	38,528,650

4. Cash generated from operations

	Six months ended 30 June 2021 Unaudited	Six months ended 30 June 2020 Unaudited	Year ended 31 December 2020 Audited
	£000s	£000s	£000s
(Loss) for the period	(1,696)	(3,234)	(2,626)
Finance income	-	-	0
Finance costs	64	71	125
Income tax expense	-	-	(513)
Withholding tax			(114)
Depreciation of property, plant and equipment	234	275	522
Depreciation of right of use assets	93	99	198
Amortisation of other intangible assets	652	626	1,139
Impairment of assets	-	-	222
R&D tax credit	-	-	(198)
Share-based payment	40	50	81
Operating cash flows before movement in working capital	(613)	(2,113)	(1,164)
Decrease in receivables	1,223	5,275	5,073
(Increase) in inventories	(849)	(53)	(510)
Increase / (decrease) in payables	358	159	(790)
Increase in provisions	-	513	-
Cash generated from operations	119	3,781	2,609
Tax credit	175	788	574
Interest paid	(64)	(71)	(38)
Net cash generated from operations	230	4,498	3,145