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PENNANT INTERNATIONAL GROUP PLC

Preliminary Results for the Year Ended 31 December 2020

A Year of Two Halves

Challenging Trading Conditions generate Resilience and improve Efficiencies;

Successful Acquisition and Integration of ADG

Pennant International Group plc ("**Pennant**", the "**Group**", or the "**Company**"), a leading global provider of technology-based maintainer training and integrated product support solutions, announces its Preliminary Results for the Financial Year ended 31 December 2020.

Commenting on the Group's performance, Simon Moore, Chairman, said:

"2020 was a challenging year across the globe, with Covid-19 impacting innumerable economies, industries, livelihoods and lives.

Pennant was certainly not immune to the pandemic's effects and in the Group's Interim Results statement published last September, I reported that the first half of the year had been challenging, with Covid-19 having a significant impact on revenues across the Group which resulted in an underlying EBITA loss of £2.0m for the period.

However, I am pleased to report that, as anticipated, the Group's performance materially improved in the second half, to produce an underlying EBITA profit of £1.0m for the six months ended 31 December 2020.

For the year to 31 December 2020 as a whole, the Group recorded consolidated revenues of £15.1 million (2019: £20.4 million) and a consolidated loss before tax of £3.1 million (2019: loss before tax £1.6 million) which is stated after significant non-underlying costs. The underlying loss before interest, tax and amortisation (EBITA) was £1.0 million (2019: Underlying EBITA profit of £1.6million) and underlying EBITDA loss was £0.3 million (2019: underlying EBITDA profit of £2.4 million).

Financial Summary

- Group revenues of £15.1 million (2019: £20.4 million);
- Gross profit margin of 29% (2019: 36%)
- Loss before tax of £3.1 million (2019: loss before tax of £1.6 million);
- Underlying EBITA loss of £1.0 million (2019: underlying EBITA profit of £1.6 million);
- Loss for the year attributable to shareholders of £2.6 million (2019: loss of £1.5 million);
- Basic loss per share of 7.22p (2019: loss of 4.16p)
- Group net assets at year-end of £12.5 million (2019: £14.9 million);
- Net debt at year-end of £1.4 million (2019: net debt of £2.2 million);
- No final dividend recommended (2019: £NIL);
- Three-year order book at year-end stood at £31 million (2019: £33 million) of which £14 million is scheduled for recognition within one year.

Operational Summary

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

- Acquisition of Absolute Data Group Pty Ltd ("**ADG**") for an initial consideration of c. £1.7 million, adding high-margin software product and recurring services revenues to the Group.
- Amendment executed on the General Dynamic contract, with £1.5 million uplift secured.
- Key design review on the General Dynamics contract successfully passed, despite lockdown restrictions.
- Completion of various aspects of the Qatar contract, including the achievement of design and testing events on the newly developed generic helicopter and loading products.
- Group banking facilities transferred to HSBC with an arranged overdraft increased to £4 million.
- Costs review completed resulting in circa £1 million of annualised savings from 2021.
- Covid-19 measures successfully implemented, with home working deployed. Sites now reopened following completion of Covid-secure assessments.
- An order from a long-standing Middle East customer for £1.5 million of new training aids, with the expectation of further purchases to follow up to a value £5 million in total.
- Additional orders from General Dynamics for virtual training and computer learning modules, with an aggregate order value of circa £900k.
- An add-on for the Qatar contract with an order value of circa £500k.
- Sales of new OmegaPS licences in Canada and Australia.
- Contract extension secured for an innovative training delivery contract in Australasia.
- Progress on the Group's Virtual Training solutions, including an order for the Virtual Parachute Training device from Morocco.
- Continued engagement with prospective customers to convert the Group's sizeable pipeline including the 'Major Programme' (see 'Pipeline Update' section below).

On current trading and prospects, Mr Moore concluded:

"During this challenging period we have built resilience into the business and have continued to deliver on the critical strategic objective of increasing the visibility and recurrence of earnings, especially those derived from software and services, not least through the acquisition of ADG.

With our contracted three-year order book, valued at more than £31million coupled with our active pipeline of opportunities, the Board is confident that the Group's underlying strengths - our long-term customer relationships with governments and major OEMs, our specialist services and our quality-assured reputation - will continue to provide a solid foundation for the Group's continuing recovery and long-term success."

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CHAIRMAN'S STATEMENT

A challenging period with signs of improving trading momentum

In the Group's Interim Results statement last September, I reported that the first half of the year had been challenging, with Covid-19 having a significant impact on revenues across the Group, which resulted in an underlying EBITA loss of £2.0m for the period.

I also stated that the Board anticipated trading would materially improve in the second half, providing guidance that the Group was expecting to make an underlying EBITA profit of £1.0m for the six months ending 31 December 2020.

I am pleased to report that the Group has delivered a much-improved performance in the second half of the year in line with these expectations.

Key financials

For the year ended 31 December 2020, the Group recorded consolidated revenues of £15.1 million (2019: £20.4 million). Turnover was significantly impacted by Covid-19 in H1 but underpinned by both the continued delivery of the Group's overseas services contracts and the successful achievement of a number of operational milestones.

The Group posted a consolidated loss before tax of £3.1 million (2019: loss before tax £1.6 million) which is stated after significant non-underlying costs. These non-underlying costs are set out in the Financial Review of the Annual Report and Accounts. The underlying loss before interest, tax and amortisation (EBITA) was £1.0m (2019: Underlying earnings before interest, tax and amortisation profit of £1.6m) and underlying EBITDA loss was £0.3m (2019: underlying EBITDA profit £2.4m).

Our response to Covid-19

The Group continues to assess and manage the impact of Covid-19 on its business. Three key risks to trading and prospects were identified and continue to exist.

1. The challenge of holding review events with customers. Such review events are held, as physical meetings, through the lifecycle of an engineering programme and frequently have milestone payments attached (paid by the customer to Pennant upon successful completion of the review). If the review cannot be held due to Covid-19 restrictions, cash and revenue associated with completion of the milestone may be delayed.

2. Access to facilities - the second risk is the inability to gain access to customer facilities to deliver services, including installations and repair tasks. Our 'Integrated Product Support' consultancy services are typically delivered at a customer's site; if we cannot access the relevant site due to Covid-19 restrictions, the ability to deliver the services is severely hampered.

3. Delays to contract awards – the broader risk that governments and major OEMs which award contracts to Pennant are, in the shorter term at least, consumed by their own efforts to deal with Covid-19 and its aftermath, and therefore expected contract awards are consequently delayed.

Actions Taken

To combat the first two risks set out above, we have worked closely with the applicable customers so that reviews and services can be held and provided via remote means where possible, while continually implementing workarounds when required. Likewise, we continue to implement workarounds (and in many cases, these are already in effect) but the further impact on the timing and amount of any affected revenues remains uncertain as we navigate our way out of the third UK lockdown.

The third risk is more challenging for Pennant to mitigate, but we remain in close contact with key stakeholders to ensure we are well-informed. Nevertheless, progress has been hampered by the wider impact of Covid-19 and we continue to experience delays on contract awards.

Above all else, the safety and wellbeing of our employees is paramount, and it has been our primary consideration as we manage our response to the global pandemic. Safety measures and systems have been introduced over and above those required by Government guidelines.

Financial Position

We are highly focused on cash and cost management across the business and retain undrawn facilities.

We have welcomed Governmental initiatives to support businesses in these exceptional times, and, during the period, we utilised the UK Government's Coronavirus Job Retention Scheme to protect (and part-fund) the jobs of those employees who have been or are currently unable to carry out their usual duties due to Covid-19 interruption.

In recognition of the challenges to the Company and its workforce presented by Covid-19, and to reduce pressure on cashflow and Group finances generally, all Directors took a 20% pay cut for the second six months of the year.

Dividends

Taking account of the Group’s 2020 financial performance, the trading outlook (including the ongoing Covid-19 challenges) and the Group’s cash position, the Directors believe that it is both prudent and in the Company’s and shareholders’ current best interests to retain cash for working capital.

The Board will therefore not be recommending the payment of a final dividend for the year ended 31 December 2020. However, it will continue to review dividend policy throughout 2021 based on trading performance and working capital requirements.

Governance

The Board is committed to maintaining robust corporate governance. It has worked closely with its advisors and in 2021 will monitor governance frameworks to ensure strong, proportionate governance throughout the Group. The Board has established appropriate risk management procedures and keeps key risks to the Group under regular review. Further details of the Group’s principal risks and uncertainties are provided in the Governance & Risks section of the Annual Report and Accounts.

Culture

The Board is committed to embodying and promoting a strong corporate culture and has endorsed policies which require the ethical behaviour of staff and relevant counterparties (such as those mandating anti-corruption, anti-counterfeiting, fair treatment and equality of opportunity).

The Directors, in consultation with employees, have established a clear set of ‘Core Values’ for the Group that encapsulate the ethical and cultural expectations of the Group, and which will guide and inform the actions of the Group (and to which its staff can be held accountable). These values are aligned to the Company’s strategic objectives and further details are provided in the Annual Report and Accounts.

Our people

As always, I would like to take this opportunity to thank all Pennant staff across the Group for their hard work and dedication throughout what has been a challenging year. Their continued commitment and drive to ensure that the business delivers the high-quality solutions that our customers require and expect, operating under tight timescales, are key factors in maintaining and enhancing the longstanding relationships we have with our customers.

Board Change

Having served as Pennant Chair for the last five years, and as a Non-Executive Director for six years, and overseen a great deal of beneficial change during that period, I have decided that now is the right time to step down, and for the Group to seek new leadership for the next phase of its evolution. I will continue to serve as Chairman until the Group’s 2021 Annual General Meeting.

I am proud of Pennant's development during my tenure but in particular our outstanding response to the Covid-19 pandemic, the successful acquisition and integration of Absolute Data Group and the evolution of Pennant's Executive and Board leadership. Our Corporate Governance reforms have ensured that the Group is in the best possible shape to recover and prosper as we emerge from the current challenging business environment.

Brexit

The Board continues to monitor the ongoing impact of Brexit on its customer and supplier base. No material impact has yet been identified.

Furthermore, Pennant has no significant contracts with customers in EU member states, and no material direct suppliers within the EU.

The Group presently expects that Brexit will have minimal effect on its trading.

Pipeline Update (including Major Programme)

The conversion of the Group's pipeline into new orders slowed significantly during the height of the pandemic, although the Group's sales functions remained active during the period, continuing dialogue and negotiations with prospective customers.

The 'Major Programme', for which Pennant was 'down-selected' in August 2018, is one of the key opportunities which Pennant has remained focused on converting. However, progress to contract award on the Major Programme has been impacted by factors beyond the pandemic.

This potential contract flows from the United Kingdom's defence requirements, forming part of a wider programme intended to be delivered by Pennant's OEM customer to the UK Ministry of Defence in support of a particular military platform. The entire overarching programme was, in effect, paused during the period as it was subject to strategic evaluation as part of the UK Government's 'Integrated Review of Security, Defence, Development and Foreign Policy' (the "**Review**").

The outcome of the Review was published in March 2021 and has reaffirmed the UK Government's commitment to the relevant military platform. This means that the overarching programme (of which Pennant's contract would form one part) should proceed.

However, Pennant understands that work remains to be done between its customer and the MOD to finalise matters and, accordingly, does not expect to receive any contract award until the latter part of 2021, at the earliest. The timing, scope and value of the eventual award (if any) remains subject to contract.

The overall value of the Group's active pipeline (including the Major Programme) at year end was in excess of £50 million.

Strategy and outlook

In this challenging period we have built resilience into the business and continued to deliver on the critical objective of increasing the visibility and recurrence of earnings, especially those derived from software and services, not least through the acquisition of ADG.

With our contracted three-year order book, valued at more than £31 million, coupled with our active pipeline of opportunities, the Board is confident that the Group's underlying strengths - our long-term customer relationships with governments and major OEMs, specialist services and our quality-assured reputation - will continue to provide a solid foundation for recovery and long-term success.

S A Moore
Chairman

CHIEF EXECUTIVE'S REVIEW

Evolving a more efficient business

The year under review presented the Group with many unprecedented challenges, including the switch to near total home working for prolonged periods, restricted access to customer facilities and unavailability of key customer personnel, which combined to produce an outcome for the year as a whole which, notwithstanding the improved second half performance, was below management's expectations.

Throughout 2020, we focused on keeping our people safe, whilst continuing to deliver for our stakeholders. Thanks to the outstanding efforts of our employees and close cooperation with our customers and suppliers, we have maintained progress on a number of critical programmes despite facing many difficulties.

In response to these challenges, decisive action was taken during the first half of the year to ensure the continued delivery of key programmes and the re-alignment of operations and personnel for improved efficiency in light of the pandemic and emerging trends. This involved a wide-ranging restructuring, resulting in net annualised savings of over £1.0 million to be fully realised from 2021. Further details can be found in the Annual Report and Accounts.

Progressing the strategy

In March, the Group successfully completed the acquisition of Absolute Data Group and its R4i suite of software. The acquisition has enabled the integration of R4i with the Group's existing Omega Product Suite, providing users with an end-to-end database and documentation solution.

I am pleased to report that the acquisition has been immediately earnings enhancing with the ADG business being successfully integrated with our existing OmegaPS business to form an enlarged, enhanced 'Integrated Product Support' offering focused on the provision of software and other support services. The acquisition aligns with the Group's strategic objectives. Specifically, it diversifies and enhances the Group's recurring revenue streams and reduces reliance on substantial engineered-to-order contracts.

More information can be found in the Annual Report and Accounts.

Financial review

Key financial performance indicators are set out below.

<u>Performance</u>

As outlined in the Chairman's Statement, the performance for the year was significantly impacted by Covid-19 with revenues suppressed and new contract awards delayed. However, the Group's contracts in Canada and Australia remained resilient throughout the year and, with the easing of lockdown in the UK over the summer, as anticipated the business produced a much-improved performance in the second half. The table below highlights this improvement.

£m	**H1**	**H2**	**2020**
Revenue	6.0	9.1	15.1
Gross profit	1.1	3.3	4.4
Operating margin	(3.2)	0.2	(3.0)
Non-underlying costs (see below)	0.4	0.2	0.6
Underlying EBITA	(2.0)	**1.0**	**(1.0)**

The gross profit margin for the period was 29% (2019: 36%) reflecting the impact of the broader economic environment on revenues and prudent margins taken on key contracts. The operating margin has, however, significantly decreased to a loss of £3.0 million (2019: operating loss £1.5 million).

Underlying EBITA, after adjusting for non-underlying costs, was a loss of £1.0 million (2019: underlying EBITA profit £1.6 million) and is derived as follows:

	2020	2019
	£m	£m
Operating loss	(3.0)	(1.5)
Amortisation	1.0	0.4
Amortisation of acquired intangible assets	0.4	-
EBITA	**(1.6)**	**(1.1)**
Restructuring expense	0.5	0.7
Impairment of goodwill	-	1.2
Impairment of freehold properties	-	0.8
ADG acquisition costs	-	0.1
Aborted transaction costs	0.1	-
Underlying EBITA	**(1.0)**	**1.6**

Restructuring expense

During the first half of the year and following the acquisition of ADG, the Group implemented a wide-ranging review to realign business operations with the Group's Integrated Business Plan ("IBP") to advance the Group's strategy. As a result, significant changes were made to the Group operational structure with a number of roles made redundant. The aggregate costs associated with terminations of employment resulting from this exercise was £0.54 million. This is treated as a non-underlying expense.

Taking into account some new roles and capabilities implemented in the revised structure, it is anticipated that this programme will realise net annualised savings of over £1 million from 2021 (the cost savings net of restructuring costs in 2020 were minimal).

Aborted transaction costs

Towards the end of 2019, the Group had initiated negotiations and commenced due diligence in relation to the acquisition of two strategic targets (businesses with complementary service lines and recurring revenue models).

In March 2020, the Group decided to pause both potential acquisitions due to the severe impact of the pandemic on the targets. At that point, full due diligence had been completed and substantial professional costs incurred. This is regarded as a non-underlying expense.

The Group remains in dialogue with both businesses and continues to explore opportunities to develop the respective relationships.

Year-end order book

At the end of the period, the year-end order book stood at £31 million (2019: £33 million), of which £14 million of revenue (2019: £16 million) is scheduled for recognition within one year based on anticipated completion of generic products and progress made on engineered-to-order contracts. Of the total order book, 46% (2019: 61%) is denominated in sterling, 39% (2019: 28%) is denominated in Canadian dollars and 15% (2019: 16%) is denominated in Australian dollars. Any movement of sterling to the Canadian or Australian dollars would potentially impact the IPS business, in particular.

Taxation

The Group's tax position shows a tax credit of £513k (2019: tax credit of £134k). The Group has unrelieved UK tax losses carried forward of £4.5 million (2019: £2.8 million), all but £0.1 million of which has been recognised in the deferred tax balance as at 31 December 2020.

Research & Development

Research and Development tax credits claimed in the UK during the year amounted to £1.6 million (2019: £2.2 million) with further claims on current projects expected to be made during 2021. These claims relate to the development of innovative new generic products, many of which now form part of Pennant's enhanced product portfolio and have been successfully sold internationally.

Cashflow

Cash generated in operations amounted to £3.1 million (2019: cash used in operations: £2.2 million), which was the result of cash milestones being realigned to stages of completion on major programmes. In addition to this, cash receipts of £2.5 million (scheduled for receipt by December 2020) were received in the first week of January 2021.

The Group had net borrowings at the year-end of £1.4 million (2019: net borrowings of £2.2 million).

Divisional performance

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

Technical Training Division (TTD)

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

The TTD continues to be the main driver of revenues within the Group. As TTD is predominantly based in the UK there has been a significant impact on operational performance due to the severe nature of the Covid-19 pandemic across the country, despite the decisive actions taken to maintain progress on critical programmes.

Revenues for the year reduced to £9.8 million (2019: £16.1 million) primarily as a direct result of the Covid-19 impacts outlined above combined with delays to contract awards, most notably the Major Programme. As the impact of Covid-19 evolved within Q2, it became clear that action was required. Therefore, significant staff costs were removed from TTD to realign with reduced revenues, resulting in one-off restructuring costs of £0.5m in 2020 but with anticipated annualised savings in the region of £1m from 2021.

	2020 **£m**	2019 £m
Revenue		
- Engineered	**3.6**	5.7
- Generic	**2.7**	5.9
- Technical Services & Support	**3.5**	4.5
Total	**9.8**	16.1
Divisional Contribution*	**(1.6)**	(0.4)
Allocation of Group costs	(1.3)	(1.2)
Loss for the period**	**(2.9)**	(1.6)

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

Revenues from TTD were predominantly generated from product sales, which accounted for 64% of the divisional revenues, with the balance generated from technical and support services.

Integrated Product Support (IPS)

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

In March, the Group completed the purchase of Absolute Data Group ("ADG"), based in Brisbane, Australia. ADG owns the R4i software suite of technical documentation software. The acquisition has enabled the integration of R4i with the Group's OmegaPS suite of products and provides much greater traction in two of the Group's principal target markets, the United States and Australia.

	2020 **£m**	2019 £m
Revenue		
- Products & Licences	**0.5**	0.5
- Maintenance	**1.3**	0.5
- Services	**3.5**	3.3
Total	**5.3**	4.3
Divisional Contribution*	**0.5**	0.2
Allocation of Group costs	**(0.6)**	(0.2)
Loss for the period**	**(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

In 2020 revenues were primarily generated from consultancy services (66%) and long-term software maintenance agreements (25%), predominantly in North America and Australia.

In the 2020 divisional revenue breakdown, both software maintenance and services revenues were bolstered by the acquisition of ADG whilst the underlying services revenues remained resilient, despite the impact of the pandemic. The revenue and profit of the acquisition in the period are presented in note 33 of the financial statements.

This increased contracted, recurring revenue is integral to the Group's forward visibility and quality of earnings and forms a key component of Group Strategy.

Strategic & Operational review

Our mission is to generate sustainable long-term, profitable growth. We continue to invest in areas that we consider are the main drivers for success and to ensure the business has the tools and flexible skilled workforce required to deliver new, major and complex contracts.

<u>Innovation</u>

In line with the Group's core strategic objectives, investment in innovation has been targeted to expand the Group's market coverage, addressing gaps in the product range and improving the overall customer proposition. During the period, the Group invested over £0.9m in the development of new and enhanced solutions and the following new products were successfully completed:

- Crew Escape & Safety Systems Trainer;
- Basic Helicopter Maintenance Trainer;
- Generic Stores Loading Trainer;
- Virtual Maintenance Trainer Electrical;
- Omega GenS (OmegaPS successor product) proof of concept.

Pennant anticipates that it will continue to invest in new solutions during 2021 and beyond. The Group has an active pipeline of potential product innovations and improvements that are undergoing a detailed assessment process with a view to obtaining funding approval if a business case can be established. Together, these new products offer the potential for further significant growth.

<u>People</u>

Our employees remain core to our future business success. Without talented people, there are no product innovations or technical solutions.

As outlined above the Group realigned its operations during the period which resulted in some roles being combined, a small number of new roles being created and the removal of several roles from the business, thereby streamlining operations without compromising operational capability.

Across the Group, we have implemented various measures (including wide-spread homeworking) to protect our people during the Covid-19 pandemic.

<u>New Contracts & Operational achievements</u>

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

- Acquisition of Absolute Data Group Pty Ltd ("ADG") for initial consideration of c. £1.7 million, adding high-margin software product and recurring services revenues to the Group;

- Amendment executed on the General Dynamic contract, with £1.5 million uplift secured

- Key design review on the General Dynamics contract held and successfully passed despite lockdown restrictions;

- Completion of various aspects of the Qatar contract, including the achievement of design and testing events on the newly developed generic helicopter and loading products;

- Group banking facilities transferred to HSBC with an arranged overdraft increased to £4 million;

- Costs review completed resulting in circa £1 million of annualised savings from 2021;

- Covid-19 measures successfully implemented, with home working deployed. Sites now reopened following completion of Covid-secure assessments.

- An order from a long-standing Middle East customer for £1.5 million of new training aids, with the expectation of further purchases to follow, up to a value £5 million in total.

- Additional orders from General Dynamics for virtual training and computer learning modules, with an aggregate order value of circa £900k.

- An add-on for the Qatar contract with an order value of circa £500k.

- Sales of new OmegaPS licences in Canada and Australia.

- Contract extension secured for an innovative training delivery contract in Australasia.

- Progress on the Group's Virtual Training solutions, including an order for the Virtual Parachute Training device from Morocco

Implementing the strategy

The underlying strengths of Pennant – our long-term customer relationships, our specialist services and our quality-assured reputation – remain the solid foundations of our proposition.

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

Steps taken this year include:

- the acquisition of Absolute Data Group and its R4i suite of software products;
- the development of a successor product to OmegaPS currently known as Omega GenS (deployable on a 'software-as-a-service' basis);
- campaign to secure additional, long-term product support contracts; and
- continued investment in building a training delivery capability; and
- development of 'mid-range' technical training products incorporating an engaging blend of hardware and graphical trainee interfaces.

The Group continues to progress other strategic opportunities to partner with or acquire complementary businesses.

Board change

Finally, on behalf of the Board, I would like to take this opportunity to recognise Simon Moore for his leadership over the last five years and to thank him for his significant contribution to the Group. Simon has been integral to Pennant's ongoing evolution and, in particular to progressing its Corporate Governance agenda and in leading the development of the Board. We wish Simon every success for the future.

The review undertaken of the business through the year, together with operational improvements across the Group and our strong order book, provide a firm platform for successful recovery and growth.

P H Walker
Director

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019 Restated
Continuing operations		**£000s**	£000s
Revenue		15,056	20,430
Cost of sales		(10,676)	(13,079)
Gross Profit		**4,380**	**7,351**
Land & buildings impairment		-	(819)
Goodwill impairment		-	(1,169)
Intangible asset impairment		(222)	-
Restructuring expenses		(541)	(654)
Other Administration expenses		(7,156)	(6,545)
Administrative expenses		(7,919)	(9,188)
Other income		525	320
Operating Loss		**(3,014)**	**(1,518)**
Finance costs		(125)	(111)
Finance income		0	0
Loss before taxation		**(3,139)**	**(1,628)**
Taxation	2	513	134
Loss for the year attributable to the equity holders of the parent		**(2,626)**	**(1,494)**
Earnings per share			
Basic		**(7.22p)**	(4.16p)
Diluted		**(7.22p)**	(4.16p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000s	2019 Restated £000s
Loss for the year attributable to the equity holders of the parent		**(2,626)**	(1,494)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		41	(49)
Items that will not be reclassified to profit or loss			
Net revaluation gain		-	370
Deferred tax charge – property, plant and equipment		(18)	(63)
Total comprehensive loss for the period attributable to the equity holders of the parent		**(2,603)**	(1,236)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

	Notes	**2020** **£000s**	2019 Restated £000s
Non-current assets			
Goodwill		2,428	923
Other intangible assets		5,570	3,391
Property, plant and equipment		5,904	6,285
Right-of-use assets		830	971
Deferred tax assets		91	-
Total non-current assets		**14,823**	**11,571**
Current assets			
Inventories		1,081	571
Trade and other receivables		4,884	9,372
Corporation tax recoverable		532	869
Cash and cash equivalents		1,439	497
Total current assets		7,937	**11,310**
Total assets		**22,760**	**22,881**
Current liabilities			
Trade and other payables		4,120	3,930
Bank overdraft		2,892	2,739
Current tax liabilities		200	-
Lease liabilities		193	209
Deferred consideration on acquisition		367	-
Total current liabilities		**7,772**	**6,878**
Net current assets		**165**	**4,432**
Non-current liabilities			
Lease Liabilities		720	834
Deferred tax liabilities		192	325
Warranty provisions		122	-
Contingent consideration on acquisition		1,421	-
Total non-current liabilities		2,455	**1,159**
Total liabilities		**10,227**	**8,037**
Net assets		**12,533**	**14,844**
Equity			
Share capital		1,822	1,806
Share premium account		5,295	5,100
Capital redemption reserve		200	200
Retained earnings		4,243	6,687
Translation reserve		290	249
Revaluation reserve		683	803
Total equity		**12,533**	**14,844**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share Premium	Capital redemption reserve	Retained earnings	Translation reserve	Revaluation reserve	Total equity
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
As previously stated at 1 January 2019	1,685	3,169	200	8,225	298	461	14,038
Restatement (see note 34)				15		(15)	-
Restated 1 January 2019	1,685	3,169	200	8,240	298	446	14,038
(Loss) for the year	-	-	-	(1,494)	-	-	(1,494)
Other comprehensive income	-	-	-	-	(49)	307	258
Total comprehensive income	1,685	3,169	200	6,746	249	753	12,802
Issue of New Ordinary Shares	121	1,931	-	-	-	-	2,052
Recognition of share based payment	-	-	-	93	-	-	93
Deferred tax on share options	-	-	-	(103)	-	-	(103)
Transfer from revaluation reserve	-	-	-	23	-	(23)	-
Restated at 31 December 2019 (TOTAL)	1,806	5,100	200	6,759	249	730	14,844

	Share capital	Share Premium	Capital redemption reserve	Retained earnings	Translation reserve	Revaluation reserve	Total equity
As previously stated at 31 December 2019	**1,806**	**5,100**	**200**	**6,701**	**249**	**788**	**14,844**
Restatement (see note 34)				58		(58)	-
Restated 31 December 2019	**1,806**	**5,100**	**200**	**6,759**	**249**	**730**	**14,844**
(Loss) for the year	**-**	**-**	**-**	(2,626)		**-**	(2,626)
Other comprehensive income	**-**	**-**	**-**	-	41	(18)	23
Total comprehensive income	**1,806**	**5,100**	**200**	**4,133**	**290**	**712**	**12,241**
Issue of New Ordinary Shares	16	195	-	-	-	-	211
Recognition of share based payment	-	-	-	81	-	-	81
Transfer from revaluation reserve	-	-	-	29	-	(29)	-
At 31 December 2020	**1,822**	**5,295**	**200**	**4,243**	**290**	**683**	**12,533**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000s	2019 £000s
Net cash from operations		**3,145**	(2,211)
Investing activities			
Interest received		0	0
Payment for acquisition of subsidiary, net of cash acquired		(791)	(406)
Purchase of intangible assets		(1,283)	(2,201)
Purchase of property, plant and equipment		(118)	(405)
Net cash used in investing activities		**(2,192)**	(3,012)
Financing activities			
Proceeds from issue of ordinary shares		45	2,052
Loan repayments		-	(599)
Repayment of lease liabilities		(277)	(272)
Net cash from financing activities		**(232)**	1,181
Net increase/(decrease) in cash and cash equivalents		**721**	(4,042)
Cash and cash equivalents at beginning of year		(2,242)	1,849
Effect of foreign exchange rates		68	(49)
Cash and cash equivalents at end of year		**(1,453)**	(2,242)

ABBREVIATED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Basis of Preparation

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

The statement of financial position at 31 December 2020 and income statement, statement of changes in equity, statement of cash flows and associated notes for the year ended 31 December 2020 have been extracted from the Group's 2020 financial statements upon which the auditor opinion is unqualified.

The financial information in this preliminary statement has been prepared in accordance with the accounting policies, and on the basis set out, in the Group's 2020 financial statements.

The 2020 Annual Report and Accounts will be available on the Company's website: www.pennantplc.co.uk Copies may be obtained by contacting the Company Secretary at Pennant Court, Staverton Technology Park, Cheltenham GL51 6TL.

2. Taxation

	2020 £000s	2019 £000s
Recognised in the income statement		
Current UK tax credit	216	304
Foreign tax expense	(360)	(31)
In respect of prior years	25	219
	(119)	492
Deferred tax expense relating to origination and reversal of temporary differences	663	(236)
In relation to prior years	(7)	(121)
Effect of tax rate change	(24)	-
Exchange rate difference	-	(1)
Subtotal deferred tax	**632**	(358)
Total P&L tax credit	**513**	134
Other Comprehensive Income charge for the period – Deferred tax	**(18)**	(63)
Reconciliation of effective tax rate		
Loss before tax	**(3,139)**	(1,628)
Tax at the applicable rate of 19.00% (2019: 19.00%)	596	309
Tax effect of expenses not deductible in determining taxable profit	(50)	(582)
Impact of R&D tax credits	93	170
Foreign tax expensed	(115)	(25)
Share Option deduction	18	27
Effect of different tax rates of subsidiaries operating in other jurisdictions	(7)	-
Effect of lower rate of deferred tax	(5)	39
Deferred tax not recognised	(35)	(68)
Effect of adjustments for prior years	25	219
Effect of adjustments for prior years – deferred tax	(7)	(121)
Deferred tax charged directly to equity	-	166
Total tax credit	**513**	134