PENNANT INTERNATIONAL GROUP PLC

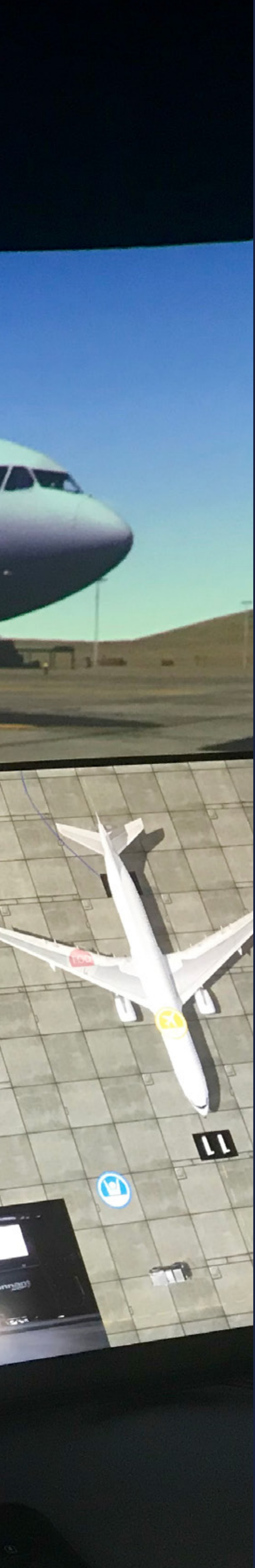
ANNUAL REPORT & ACCOUNTS 2023

PENNANTPLC.COM

COMPANY NUMBER: 03187528

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 2023
H2	THE SIX MONTHS ENDED 31 DECEMBER 2023
IBP	INTEGRATED BUSINESS PLAN
IPS	INTEGRATED PRODUCT SUPPORT
ILS	INTEGRATED LOGISTICS SUPPORT
OEM	ORIGINAL EQUIPMENT MANUFACTURER
Q1	THE THREE MONTHS ENDED 31 MARCH 2023
Q2	THE THREE MONTHS ENDED 30 JUNE 2023
Q3	THE THREE MONTHS ENDED 30 SEPTEMBER 2023
Q4	THE THREE MONTHS ENDED 31 DECEMBER 2023



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MAXIMISING OPERATIONAL & MAINTENANCE EFFICIENCY

OUR VISION

To be the leading systems support and training solutions company.

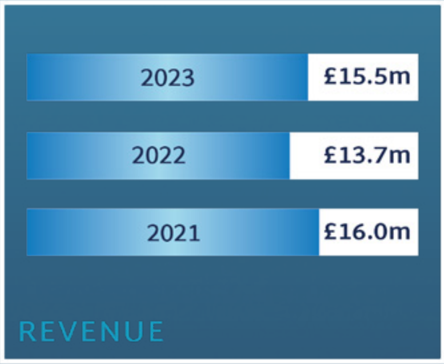
OUR MISSION

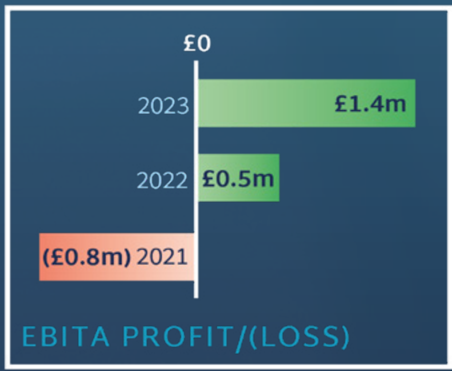
To ensure our customers' assets are available where they are needed, when they are needed and that they work.

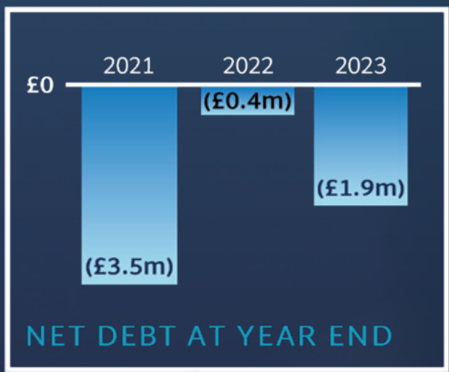
OUR STRATEGY

- Expand, to be first to market, with our end-to-end IPS software suite
- Grow our IPS services offering, through organic growth and acquisition
- Optimise the Training Technology business
- Develop, expand and export the Pennant Rail offering

GROUP KEY FINANCIALS







OTHER HIGHLIGHTS

- Loss before tax £0.4 million (2022: loss before tax £1.4 million)
- Net assets £9.8 million (2022: £10.7 million)
- Basic loss per share of 2.53p (2022: basic loss per share of 2.45p)
- Unrelieved tax losses carried forward of £6.8 million (2022: £7.1 million)
- No final dividend recommended (2022: £NIL).

CHAIR'S STATEMENT

FULL YEAR EXPECTATIONS MET, RETURN TO OPERATING PROFIT, RECORD GROSS MARGIN

I'm pleased to present my first annual report and accounts since being appointed Chair of Pennant International Group plc post Period-end, and excited by the opportunity before us.

The Group has made significant progress in the year ended 31 December 2023 (the "Period"), meeting market expectations and achieving a return to operating profit, with an adjusted EBIT profit of £0.4 million for the year (2022: EBIT loss of £1.0 million) and an adjusted EBITDA profit of £2.2 million (2022: EBITDA of £1.0 million).

The Group's performance continues to benefit from, and is primarily the result of, Pennant's technology and software strategy shifting the Group's focus to delivery of higher value services. The Group's ongoing focus on higher margin revenues from software and technical services continues to be reflected in the results. Therefore, despite relatively consistent revenues, totalling £9.6 million in 2023 (2022: £10.2 million), the strengthened revenue mix and improved margin has delivered notable improvements already.

STRATEGY

Pennant's strategy remains firmly on increasing the proportion of the Group's revenues which derive from the sale of software and technical services, particularly those of a recurring nature, by expanding the market coverage through the development of the Group's market-leading proprietary software suite and associated services.

The Group also continues to seek other strategic opportunities to partner with or acquire complementary businesses which will accelerate the Group's strategy.

During the Period the Group announced the completion of the acquisition of Track Access Productions and its strategic partnership with Aquila Learning Ltd. The acquisition of Track Access Productions - (see pages 26 & 27) - is aligned with the Group's software and technical services strategy and has enhanced the Group's rail capability, diversifying into non-defence growth markets. Our partnership with Aquila Learning Ltd is designed to offer our customers an end-to-end integrated software platform to maximise operational efficiency.

KEY FINANCIALS

For the year ended 31 December 2023, the Group recorded consolidated revenues of £15.5 million (2022: £13.7 million) again underpinned by the Group's contracted revenue base. For a comprehensive breakdown of the Group's programme deliveries please refer to the operational review on page 9.

The Group's gross margin for the year increased significantly to 50% (2022: 42%) due to the strategic shift towards software and higher value services. As a result, the Group posted a consolidated adjusted EBITA profit of £1.7 million (2022: EBITA £0.5 million) which is in line with market expectations.

The Group's net debt at the Period-end was £1.9 million (2022: net debt of £0.4 million) which reflects, amongst other things, the continued investment in the integrated software suite, acquisition related expenses and expenses related to aborted corporate activity.

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 focus on delivering growth.

The Board will therefore not be recommending the payment of a final dividend for the year ended 31 December 2023.

OUR PEOPLE

To deliver a successful performance in 2024, the Group must have a committed workforce, appropriately incentivised and motivated. I would like to thank all our employees for their commitment to supporting the Group and for the resilience and flexibility they have demonstrated in meeting our customers' needs.

The Group is constantly seeking ways to attract, retain and reward the specialist skills that we need in order to deliver. It is our people we rely on to deliver our strategy and deliver successful results in the current period and beyond. We must continue to pay particular attention to their needs and as a Board we remain focused on supporting them.

OUR CULTURE

The Board remains committed to ensuring that all Group employees understand and embody the Group's 'Core Values' (further detailed on page 43). These underpin the approach to all activities whether they be in an operational or customer facing environment. These values are also critical in terms of the approach taken to all our policies whether they are mandated by law (such as anti-bribery or anti-counterfeiting laws) or mandated by behavioural ethics (such as 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 maintaining robust corporate governance. It has worked closely with its advisors and in 2023 monitored governance frameworks to ensure strong, proportionate governance throughout the Group; this is important given the number of geographies in which we are present. The Board has established appropriate risk management procedures and keeps key risks to the Group under regular, 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 and post Period-end there were a number of Board changes.

We were delighted to appoint Michael Brinson to the Board as Group Chief Financial Officer with effect from 1 January 2023. Michael joined the Group as Head of Finance in February 2020.

Also in January 2023, the Group announced the appointment of Deborah Wilkinson as Non-Executive Director with effect from 1 February 2023.

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

On 14 May 2024, Phil Cotton stepped down as Chair and announced his intention to retire as Non-Executive Director following the Company's next Annual General Meeting. I assumed the role of Chair on 14 May 2024 upon Phil stepping down. On behalf of the Board, I would like to thank Phil Cotton for his five years of service and we wish him all the best for the future.

Further details on the Board members can be found in the Governance & Risks section of this document.

CURRENT TRADING AND OUTLOOK

I join the Group at a time when global economic and geo-political trends provide a supportive backdrop for Pennant's capabilities. Pennant has few competitors that can offer the end-to-end solution that we provide, and defence forces, organisations and OEMs continue to prefer to outsource these services. Additionally, examples of key drivers currently include growing global defence budgets, increasing complexity of programmes, and an increasing need for sovereign capabilities, all of which stands to our benefit.

Post Period-end, the Group started the year well. Despite delayed order conversion, as previously announced, we have observed a material increase in activity in our key markets and are well placed to capitalise.

The strategic investment in our integrated software suite and post Period end release of GenS Version 3.0, 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.

The Board believes that this integrated 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 opportunities for long-term success.

Approved by the Board on 20 June 2024
and signed on its behalf

I Dighé
Chair

CHIEF EXECUTIVE'S REVIEW

STRATEGY DELIVERING; IMPROVED PERFORMANCE

In 2023 we continued the implementation of the Group's strategic plan: a programme of investment in the Group's proprietary software suite designed to provide our customers with a powerful market-leading toolset that allows users to manage, model and utilise vast amounts of complex systems data, with the objective of increasing revenue from software and higher value technical services and recurring contracts.

The impact of this strategy is now visible in our financial performance with the Group achieving an operating profit and meeting the market's expectations for the full year. Pennant has continued to invest in its integrated software suite, acquired a complementary business and agreed beneficial strategic partnerships. The implementation of our growth strategy is already delivering improved order lead times, revenue recognition and margins.

STRATEGIC SOFTWARE INVESTMENT

In line with the Group's core strategic objectives, investment in our proprietary software suite has continued during the year targeting growth in capability and with the aim of expanding the Group's market offering.

During the Period the Group invested circa £1.4 million in the development of its new and enhanced suite of software solutions with the aim of improving the overall customer proposition. The continued development of the new GenS software solution (OmegaPS successor product) was accelerated with release of version 3.0 achieved in April 2024.

The investment programme now moves into the next phase, which will see all three of the Group's software applications – GenS, Analyzer and R4i – being integrated into one, holistic solution with release scheduled for Q4 2024.

Pennant anticipates that it will continue to invest in its integrated software suite during 2024 and expects the level of investment to be in line with 2023.

RAIL ACQUISITION

During the Period, the Group successfully completed the acquisition of Track Access Productions.

Track Access provides driver training, route mapping and route familiarisation services to the rail industry. Its acquisition aligns with the Group's strategy, in particular by enhancing recurring revenues and further diversifying into civilian markets, while also enhancing the Group's existing rail capabilities and complementing Pennant's Track Access Services business. In the Period, it delivered revenues of £342k and profits before tax of £155k (excluding management charges of £68k) over approximately 9 months. More information can be found on pages 26 & 27.

STRATEGIC PARTNERSHIP

In September 2023, the Group announced a strategic partnership with Aquila Learning Ltd to collaborate on a number of projects, including the integration of the ALaRMS – Aquila Learning (and Requirements /Resource/ Record) Management System into the market leading Pennant IPS software suite (GenS, Analyzer and R4i).

The partnership is looking to provide users with additional capabilities to our shared customers, including an end-to-end S-Series software toolkit.

REGIONAL OPERATIONAL REVIEW

The table below highlights Pennant's regional revenue for 2022 and 2023.

REGIONAL REVENUE	2023 £'000	2022 £'000
UK & EUROPE	8,821	5,557
NORTH AMERICA	4,051	4,985
INDO-PACIFIC	2,663	3,144
TOTAL	**15,535**	**13,686**

UK & EUROPE

Revenue generated in the UK & Europe region showed strong growth during 2023 at £8.8 million (2022: £5.6 million). The current geopolitical backdrop and recent events have highlighted the importance of national security and strategic investment in capability, and current deficits in preparedness. Therefore, the outlook for Pennant's key markets appears to be improving.

The revenue in the region was underpinned by contracts with Boeing Defence UK, HMRC and with rail operators, which grew as result of the enhanced rail capability from the acquisition.

In terms of operational delivery, the region had a successful Period with notable highlights including the on-time achievement of several engineering milestones on the Boeing Defence UK contract which continues to progress well in 2024 and the successful release of the annual update to the HMRC Basic PAYE software tool where Pennant is responsible for the development and support of the tool.

With the Group's increasing software and higher value services focus bringing reduced reliance on resource-intensive hardware engineering activities the Board decided to market for sale one of the Group's previously leased Cheltenham properties with the sale completed post Period-end for £0.5 million. The profit generated on this disposal was £231k and further details are provided at note 36 to the Financial Statements.

NORTH AMERICA

The North America business saw revenues decline to £4.1 million from £5.0 million in 2022. This was driven by two factors; 1) 2022 included a significant perpetual software sale and 2) a Government-driven procurement change in respect of Pennant's long-term contract with the Canadian Department of National Defence.

In October 2023, 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. To date, Pennant has successfully tendered and secured 100% of the 8 tasks competed which account for approximately 50% of historic annual recurring revenues. Pennant will continue to tender for further opportunities as they are competed as the region looks to restore the level and long-term visibility of revenues that the legacy contract provided.

INDO-PACIFIC

The Indo-Pacific business enjoyed a solid year but was impacted by customer budget phasing which resulted in revenue delays in the Period with resultant revenues reducing from £3.1 million to £2.7 million. It is expected that this temporary timing-related issue will unwind throughout 2024.

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). The contract was expanded in the Period with the establishment of a Composites Training Facility in the region which is expected to deliver recurring revenues for at least 5 years

DELIVERING ON OUR STRATEGY

The software investment programme now moves into the next phase, which will see all three of Pennant's core applications – GenS, Analyzer and R4i – being integrated into one, holistic solution which will provide customers with a powerful, market leading toolset.

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

Approved by the Board on 20 June 2024
and signed on its behalf

P H Walker
Director

CHIEF FINANCIAL OFFICER'S REVIEW

RECORD GROSS MARGINS & COST CONTROL; RETURN TO OPERATING PROFIT

FINANCIAL REVIEW

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

PERFORMANCE

Group revenue for the year increased by 14% and was delivered in line with expectations at £15.5 million (2022: £13.7 million) with a marginal weighting towards the second half.

There was further growth in the gross profit margin for the Period to 50% (2022: 42%), a record for the Group. This reflects the change in the sales mix in the Period and shift in the strategic direction of the Group towards software-related products and higher value services.

Despite inflationary cost pressures, administrative costs were held broadly in line with 2022 with a 3.8% increase at £7.6 million (adjusted for £325k of exceptional costs) (2022: £7.3 million).

The improved margins coupled with the controlled cost base, resulted in a return to profit at an operating margin level of £0.1 million (2022: operating loss £1.0 million) and an adjusted EBITA profit of £1.7 million (2022: EBITA profit £0.5 million).

£M	H1	H2	**2023**	2022
REVENUE	7.1	8.4	15.5	13.7
GROSS PROFIT	3.3	4.4	7.7	5.8
GROSS PROFIT %	*47%*	*52%*	*50%*	*42%*
OTHER INCOME	0.1	0.2	0.3	0.5
ADMIN COSTS	(3.6)	(4.3)	(7.9)	(7.3)
OPERATING PROFIT / (LOSS)	**(0.2)**	**0.3**	**0.1**	**(1.0)**
AMORTISATION	0.7	0.6	1.3	1.5
EBITA	0.5	0.9	**1.4**	0.5
DEPRECIATION	0.2	0.3	0.5	0.6
EBITDA	0.7	1.2	**1.9**	1.1

A summary of the income statement adjusted for exceptional costs is as follows:

£M	2023	EXCEPTIONAL COSTS	ADJUSTED
REVENUE	15.5	-	15.5
GROSS PROFIT	7.7	-	7.7
GROSS PROFIT %	50%	-	50%
OTHER INCOME	0.3	-	0.3
ADMIN COSTS	(7.9)	0.3	(7.6)
OPERATING PROFIT / (LOSS)	**0.1**	**0.3**	**0.4**
AMORTISATION	1.3	-	1.3
EBITA	**1.4**	**0.3**	**1.7**
DEPRECIATION	0.5	-	0.5
EBITDA	**1.9**	**0.3**	**2.2**

Exceptional costs are non-recurring, and include transaction and integration costs associated with the acquisition of Track Access Productions Limited in April 2023, and professional costs and expenses associated with another, aborted transaction.

REVENUE ANALYSIS

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

	2023 £'000	2022 £'000
SOFTWARE LICENCES & PRODUCTS	1,111	1,377
SOFTWARE MAINTENANCE	1,589	1,458
SOFTWARE AND TECHNICAL SERVICES	6,873	7,410
SUB-TOTAL SOFTWARE AND SERVICES	**9,573**	10,245
ENGINEERED SOLUTIONS	5,229	2,410
GENERIC PRODUCTS	733	1,031
SUB-TOTAL TRAINING SOLUTIONS	**5,962**	3,441
TOTAL GROUP REVENUE	**15,535**	13,686

Revenues contributed by Software and Services have reduced to £9.6 million in 2023 (2022: £10.2 million) representing 62% of the total revenue in the Period (2022: 75%). The reduction is predominantly due to the change in procurement methodology in North America (as outlined in the Chief Executive's Review on page 9). The ongoing software product sales from this and prior periods have resulted in increased maintenance revenues in the Period which will be recurring in nature.

Recurring revenues remained broadly in line with the prior year at £7.3 million (2022: £7.7 million) in 2023. The recurring revenues associated with technical services increased by 10% year-on-year, partly mitigating the software services reduction in North America. Recurring revenues represented 47% (2022: 56%) of the total revenue for the Period due to the increased revenues on non-recurring engineered solutions in FY2023.

SOFTWARE AND SERVICES

SOFTWARE LICENCES & PRODUCTS

The software product sales in 2023 continued to be predominantly driven by R4i software sales, with the associated recurring maintenance revenues (circa 20% per annum) to follow on a recurring basis. Revenues are recognised upon installation of the software and tend to be non-recurring in nature.

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.

SOFTWARE AND TECHNICAL SERVICES

The predominantly recurring software and technical services revenue stream has reduced from 75% of the Group's revenues in 2022 to 62% in 2023 for the reasons outlined above. The revenues are typically recognised on a consumption of benefit basis over time.

TRAINING SOLUTIONS

ENGINEERED SOLUTIONS

As per the expectation stated in the Annual Report and Accounts for FY2022, revenues associated with engineered solutions have increased significantly from £2.4 million in 2022 to £5.2 million in 2023. 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.

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 2023 was £0.7 million compared to £1.0 million in 2022.

CASHFLOW

Cash generated from operations amounted to £1.3 million (2022: £2.6 million). This reflects milestone achievements on major programmes in 2023 and associated cash payments being received. The cash generation in operations has been deployed to support the Group's ongoing strategic investment in the integrated software suite and the in Period acquisition of Track Access Productions.

The Group had net borrowings at the year-end of £1.9 million (2022: net borrowings of £0.4 million) excluding lease liabilities.

Post Period-end, the Group has renewed its overdraft facility with its bankers, HSBC, at £3 million. Furthermore, in order to support the required strategic investment in our integrated software suite, in May 2024 the Group utilised its 15% placing authority to raise circa £1.15 million after fees. The Board also confirmed an intention to subscribe for a further £200k of shares in aggregate, subject to a further placing authority being approved at the 2024 AGM. Assuming the Board's subscription proceeds as expected, the total proceeds after fees will be £1.35 million. These funds will support the planned capital investment in the integrated software suite.

The Group has an active pipeline of opportunities spanning the entire spectrum of product 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 in the UK for the Period amount to £0.3 million (2022: £0.3 million) on qualifying expenditure of £1.7 million (2022: £1.4 million). The claims mostly relate to the development of innovative new software products.

TAXATION

The Group's tax position shows a tax charge of £566k (2022: tax credit of £464k). The tax charge in 2023 is primarily due to deferred tax being partially derecognised based on the amount of taxable profits in the profit forecasts. This is a non-cash adjustment. Deferred tax has been recognised to the extent that future forecasts (excluding a selection of pipeline opportunities totalling £18 million aligned to timing uncertainties in the extreme but plausible scenario in the Going Concern scenario analysis in note 3) support the carrying value. As a result, UK trading losses with a gross value of £1.3 million have not been recognised within the deferred tax asset disclosed in note 26. After the approval of the Financial Statements, if the expected conversion of the pipeline occurs, a deferred tax asset in relation to these losses may be recognised or there may be a reduction in any taxable profits made in the UK entities in 2025. The unrecognised deferred tax asset in relation to the above losses amounts to £324k.

A deferred tax asset in relation to temporary timing differences within Pennant America Inc. has been recognised on the basis of taxable profit over the three years to 2026. As a result, temporary timing differences of £812k have not been recognised as part of the deferred tax asset. If future profits exceed the current forecast an additional deferred tax asset of £226k may be recognised.

The Group has total unrelieved UK tax losses carried forward of £6.8 million (2022: £7.1 million).

LOOKING FORWARD

With the development of the integrated software suite nearing its conclusion, the Group is looking forward to realising the returns on this investment, and the associated profit and generation of free cashflows which strengthen the balance sheet. As ever, this will depend on winning new orders and retaining existing customers (and note 3 to the financial statements explains more) but with an active pipeline and favourable market conditions, the Group has confidence as to the way ahead..

M J Brinson
Director

GROUP STRATEGIC FRAMEWORK

MAXIMISING OPERATIONAL & MAINTENANCE EFFICIENCY

OUR STRATEGIC FRAMEWORK

Our strategy is comprised of four key areas of focus that will help us achieve our vision and mission. It is centred on maintaining and growing our core capabilities and securing growth opportunities through advancing our strategic directives.

STRATEGIC DIRECTIVES

- Expand, to be first to market, with our end-to-end IPS software suite
- Grow our IPS services offering, through organic growth and acquisition
- Optimise the Training Technology business
- Develop, expand and export the Pennant Rail offering

OUR STRATEGY IN ACTION

- Development of GenS (successor product of OmegaPS)
- Integration and acceleration of Pennant core software applications into one, holistic software suite to create the next generation of IPS software solutions
- Acquisition of Track Access Productions to develop and expand the Rail offering

RISK MANAGEMENT REVIEW

Group-wide risk management is ultimately the responsibility of the Board (supported by the Audit & Risk Committee) and is overseen operationally 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).

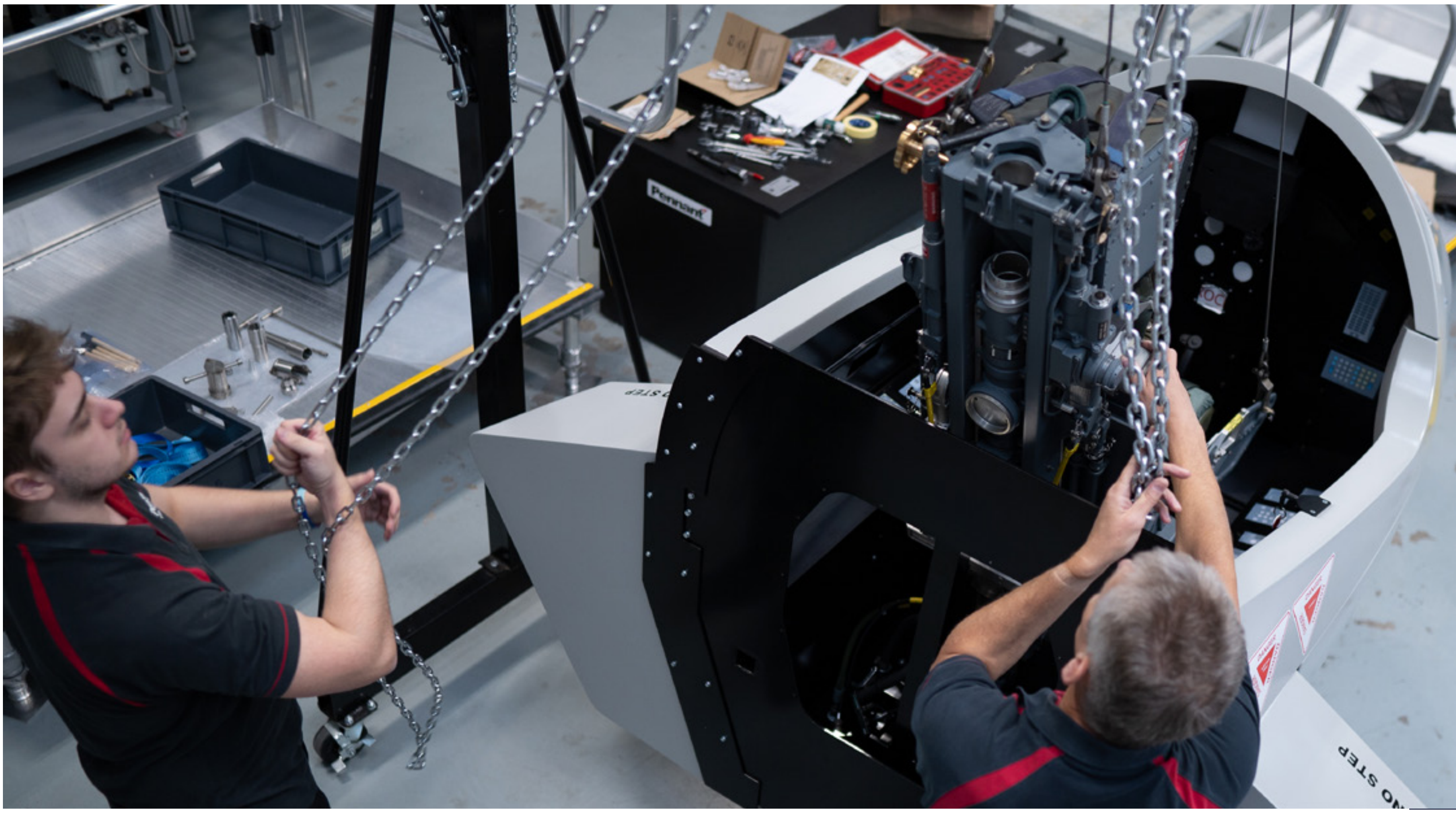
Each live programme has a risk and opportunities register which is maintained by the relevant Programme Manager and reviewed regularly, in particular at standing monthly programme review meetings.

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 reviewed by the Audit & Risk Committee (and the Board as appropriate).

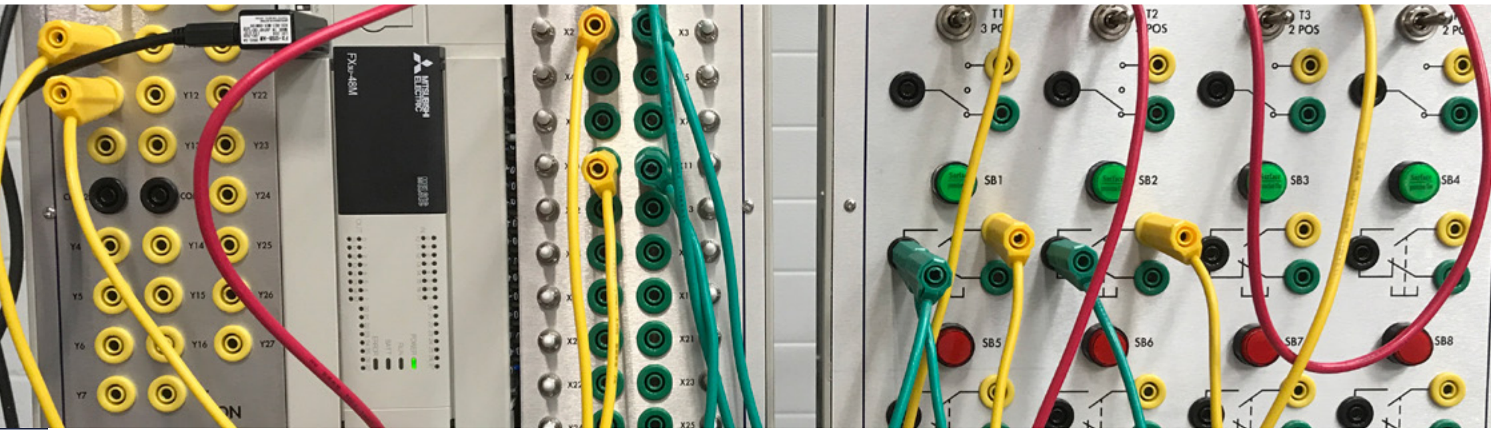
KEY RISKS

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, 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
DEFENCE FOCUS		
The Group has historically been heavily reliant on Government defence spending by the UK and other states (particularly aviation related), with circa 80% of its revenues for 2023 deriving from defence contracts.	A reduction in defence spending leads to reduced orders, adversely affecting the Group's revenue and profit. Exposure to reputational risks arising from sub-contracting to defence primes supplying into geo-politically sensitive regions.	It is a key strategic focus of the Group to expand into civilian sectors in order to reduce reliance on defence spending generally. The rail sector is historically the Group's most active area of civil diversification and the R4i product suite is gaining increasing traction in the civilian aerospace sector. Any new defence export opportunities are assessed for potential reputational risk to Pennant and due regard is given to UK government policy and guidance. The expansion of the Group's software and services offerings is a natural mitigant to the reliance on, and risks of, high-value engineering programmes. It should be noted that long-term defence contracts are, however, a foundation of the Group's resilience during periods of economic disruption such as that caused by Covid-19. It is also expected that national defence budgets will increase in light of Russia's invasion of Ukraine and that training, logistics and maintenance aspects may feature within any new requirements. Indeed, the UK's annual defence budget is expected to increase to 2.5% of GDP by 2030.



DESCRIPTION OF RISK	POTENTIAL IMPACT	MITIGATION AND CONTROL
PRIME DEPENDENCE		
The Group currently depends to a large extent on prime contractors awarding it sub-contracts to deliver the training solution on larger programmes.	Loss or deterioration of relationships with prime contractors leads to reduced orders, adversely affecting the Group's revenue and profit.	Work for prime contractors is carried out under written contracts spanning a number of years, mitigating the risk of immediate loss of business. The Group contracts with and maintains (and continues to cultivate) long-term good relationships with several primes (BAE, General Dynamics, Leonardo Helicopters, Lockheed Martin and Boeing), meaning that it is not overly-reliant on any one of them. Furthermore, the Group is always seeking to add to its customer roster. Relationships are developed and maintained with primes at all organisational levels, from technical leads to programme managers to executives. Just as importantly, direct sales, particularly of software products (and related consultancy services) are pursued wherever possible with direct sales regularly being secured in relation to integrated product support software and services. It should be noted that long-term contracts with OEMs are, however, a foundation of the Group's resilience during periods of economic disruption such as that caused by Covid-19.

DESCRIPTION OF RISK	POTENTIAL IMPACT	MITIGATION AND CONTROL
ORDER INTAKE CYCLE		
Related to 'Defence focus' and 'Prime dependence', is the length of time that it can take for Pennant to convert an opportunity into a contract. 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 the main vehicle/platform contract.	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 most important mitigant is the Group's efforts (over a number of years, and which continue) to build up a solid base of recurring 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.
LEGAL & COMPLIANCE BURDEN		
In the sectors in which it operates, the Group is subject to considerable legislation and regulation. For example: in selling its training equipment 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. Of course, the Group in operating overseas is subject to the laws of relevant foreign jurisdictions, whether it is aware of them or not.	Failure to comply with relevant legislation and regulation results in the Group being unable to sell its products. The Group and its officers are found criminally liable for breaches of foreign legislation and/or face civil penalties. Serious breaches of health and safety law 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) and safety and compliance advisers are retained and consulted as necessary. The Group has a dedicated Health & Safety manager and several employees with relevant qualifications and experience.

DESCRIPTION OF RISK	POTENTIAL IMPACT	MITIGATION AND CONTROL
CONTRACT PRICING AND DELIVERY		
The Group's key contracts are often on a fixed price with a fixed delivery timeline. Performance of those contracts may be reliant on external dependencies. The Group will contract on fixed prices on 'engineered-to-order' projects (e.g. for a platform-specific training aid), where it has never 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.	External factors (e.g. a supplier delay on delivering a part) cause the delay or failure to deliver a contract resulting in reputational damage to the Group and entitling the customer to claim compensation (including, on some contracts, liquidated damages). A mispriced contract, although delivered in compliance with its terms and timeline, results 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.	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. The programme managers, in turn, regularly report to the Group's senior management. The Group's experienced Commercial team, in conjunction with the programme managers, monitor for contractual 'scope creep' and manage change control requests accordingly. The Group's dedicated Purchasing team controls the ordering of items in time for production and manages the Group's supply chain with support from the Commercial team. The Group is careful to deal with trusted suppliers with a track record of performance, wherever possible.

DESCRIPTION OF RISK	POTENTIAL IMPACT	MITIGATION AND CONTROL
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.	Material amounts of data are not received when required, and a programme is delayed, impacting the Group's ability to progress the programme, recognise revenue and render invoices. 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.
CONTRACT PROFILES		
The Group's turnover, profits and cashflows, particularly in the Training Solutions business line, 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, 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 current expansion of the Group's software and services offerings is a natural mitigant to the reliance on, and risks of, high-value engineering programmes.

DESCRIPTION OF RISK	POTENTIAL IMPACT	MITIGATION AND CONTROL
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 the risks described in the Contract profiles risk above.	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.
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.	Key systems are unavailable for a meaningful length of time and the Group's delivery of customer contracts is 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 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. All data is backed up regularly to secure servers. The Group's multi-site operations allow the recovery and restoration of systems from one site to another.

DESCRIPTION OF RISK	POTENTIAL IMPACT	MITIGATION AND CONTROL
MANAGING RESOURCES		
As the Group looks to further recover and grow its business, it may face challenges in 'ramping up' to meet demand, or 'scaling back' while orders are awaited. Equally, as the business mix of the Group evolves, the appropriate resource profile will also likely continue to evolve.	The Group does not have the appropriate facilities in which to build its goods and delivery of contracts is delayed or prevented, leading to negative impacts on revenue and reputation.	The Group has developed a comprehensive facilities plan and carefully monitors its needs for future space, both for secured and potential orders and has already acquired additional space for expansion. Where space is no longer required for a period, the Group looks to either let out or dispose of it, or return to the landlord (in the case of tenancies).
Planning for and securing resources as a business which operates with a relatively small number of high-value contracts, prone to delays in award, is a challenge.	The Group is unable to secure the necessary human resources and the timely delivery of its contracts is jeopardised, with potentially negative effects to revenue and profit.	The Group has a formalised resource planning process. The Group retains a managing recruitment agent with a track-record of finding suitable people, enabling the Group to 'flex' resource to meet demands of programmes.
The Group needs staff with a wide range of 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.	Conversely, resources may be over-provisioned or secured at the wrong time, incurring unnecessary costs/allocating capital which might be used elsewhere.	Employee training and development is prioritised in technical areas so that skills gaps can be filled internally. Good links to former employers are maintained by those staff with military backgrounds, enabling the recruitment of additional subject matter experts.

DESCRIPTION OF RISK	POTENTIAL IMPACT	MITIGATION AND CONTROL
COMMERCIALISING THE INTEGRATED SUITE With the significant investment made by the Group in GenS and the integrated 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 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.	The Integrated Suite 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 Integrated Suite. Feedback from customers has been positive and indicates that the market for a holistic, end-to-end solution is real. The development of GenS and the Integrated 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 these efforts are optimised, building on the early customer engagement. 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.

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.

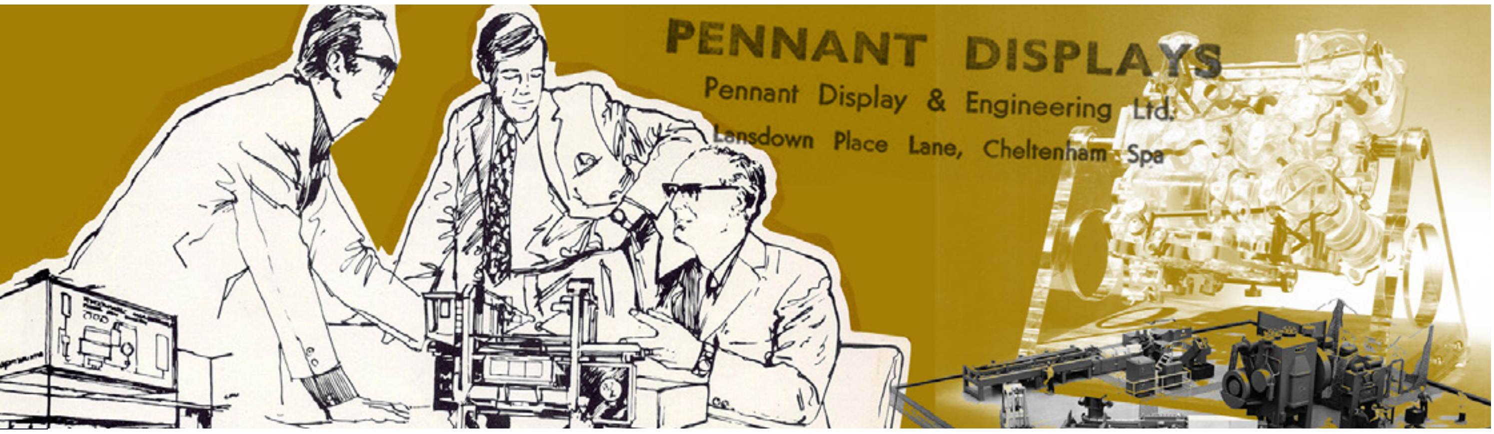
We are confident that the supportive strategic backdrop for our products and services point towards significant potential for growth:

- 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 contract 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 evermore 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 worldwide to maximise operational and maintenance efficiency.

SOFTWARE LICENCES, PRODUCTS AND MAINTENANCE

Pennant owns a market leading suite of software products that integrate together to create an end-to-end solution – the next generation of IPS solutions.

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

- GenS Product Suite (OmegaPS successor product) 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 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.

SOFTWARE AND TECHNICAL SERVICES

Pennant takes a "Through Life Support" approach to technical services for both Pennant and third-party systems in the regulated sectors.

From Training Needs Analysis (TNA) 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:

- Training needs analysis (TNA)
- Courseware development
- Software development
- Technical publications, IETMS, S1000D etc.
- Studio services - 2D & 3D design, VR media development, film and media production, E-learning and CBT, illustration, authoring, copywriting and translation
- Facilities planning
- Competency mapping to EASA, EMAR, City of Guilds etc.
- In service support
- Preventative and corrective maintenance
- Instruction and training delivery
- Consultancy, spares and obsolescence management
- Dismantling and disposal
- Integrated logistic support (ILS) services and planning

RAIL TECHNICAL SERVICES

Track Access Services ("TAS") provides safety-critical services to train operating companies and rail infrastructure providers. TAS's current capabilities include rail driver training, rail survey services, laser and video scanning, 3D track models, signal siting and a subscription-based route video and mapping service. Customers include Network Rail and Govia Thameslink Railway.

ACQUISITION OF TRACK ACCESS PRODUCTIONS

In April 2023, Pennant acquired the entire issued share capital of Track Access Productions Limited ("TAP").

TAP is a UK business, incorporated in 2001 and based in Bedfordshire, which provides driver training, route mapping and route familiarisation services to the UK rail industry. Its clients comprise train operating companies, freight operating companies, engineering prime contractors and infrastructure providers. TAP has two key revenue streams: a subscription-based web portal through which its clients can access training content, and project-specific route mapping work.

For the period from the date of acquisition to 31 December 2023 the acquisition delivered revenues of £342k and profits before tax of £155k, excluding management charges from the Company of £68k.

SUMMARY OF THE KEY TERMS OF THE ACQUISITION

- The consideration payable in respect of the Acquisition comprised an enterprise value of £585,000, plus an amount of circa £389,000 in respect of TAP's 'free cash' after allowing for normalised working capital and repayment of debt ("Cash Free, Debt Free Adjustment").

- The initial consideration payable was circa £798,500 (being 70% of the enterprise value, i.e. £409,500, plus the Cash Free, Debt Free Adjustment).
- A completion payment of £638,610 was settled, based on verified estimates of the Cash Free, Debt Free Adjustment, along with the balancing payment of circa £160,000.
- The balance of the overall consideration, comprising a deferred payment of £175,500 (being the remaining 30% of the enterprise value) was settled in April 2024.
- The Acquisition was funded from the Group's existing cash resources.

BENEFITS OF THE ACQUISITION

The Board believes that the TAP business is highly complementary to the Group's existing business and that the Acquisition was in the Company's best interests for the following reasons inter alia:

- TAP's business aligns closely with Pennant's existing Track Access business unit and the Acquisition will consolidate the Group's presence in this market.
- The Acquisition also aligns with the Company's strategy, in particular it enhances the Group's recurring revenues, further diversifying into civilian markets, whilst bolstering the Group's 'third pillar' of rail products and services, complementing the Group's traditional core of IPS software and training technology.

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.

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 29 (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 statement (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 statement in mind and with reference to the effects or relationship with existing actions in the IBP. The CEO Review on pages 8 to 9 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 new IPS 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:** of course, customers are absolutely key to the Company's business. Often working together on a long-term multi-year programmes, the Company endeavours to build strong relationships with its customers at every level.

      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. With global economic challenges, and in particular inflationary pressures, employee welfare was very much at the forefront of Directors' minds during 2023 and the details on page 43 explain 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 and other channels) being delivered to the Board periodically. During the period, the Group carried out a comprehensive employee opinion survey which encompassed all regions and business units, with the results fed back to the Board and changes enacted in response.

- **Suppliers**: the Group works closely with its suppliers, and has a core cohort of trusted partners engaged in delivering its long-term programmes. 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 being 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 20 June 2024
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.

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 regularly invited to 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 Director, consulting with stakeholders as appropriate.

In discharging its duties, the Board is supported by two standing committees (the "Committees"): the Audit & Risk Committee and the Remuneration 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 were last substantively updated, and reviewed and approved by the Board, with effect from 23 February 2024.

The Board does not have a nominations committee and any nominations for appointment to the Board are considered by the full Board (with any appointment subject to a shareholder vote at the next Annual General Meeting).

The Board has three 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. In essence, the strategy focuses on four core themes: expand and be first to market with our end to end software suite, grow our IPS service offering; optimise the training technology business; and develop, expand and export the Pennant Rail offering. See page 14 for a summary of the strategy.

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 15 to 23.

The Board typically holds six scheduled meetings per year and usually holds Committee meetings on separate days from Board meetings so as to allow greater time to be devoted to Committee matters. 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 (68) is an independent Non-Executive Director and the Company's Chair. He was appointed to the Board on 7th February 2024 and became Chair on 14th May 2024. He is a member of the Audit & Risk Committee and the Remuneration Committee.

Mr Dighé 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.

Mr Dighé was a co-founder of Bridgewell Group plc and Chair 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.

Mr Dighé is currently Chair of The Investment Company plc and an independent director of Seneca Growth Capital VCT plc. He is also a director of a number of private companies and charities.

PHILIP COTTON

Mr Cotton (65) is an independent Non-Executive Director. He joined the Board in June 2019 and is a member of the Audit & Risk Committee and currently chairs the Remuneration Committee.

Mr Cotton is a Chartered Accountant (FCA) and former KPMG audit partner with extensive experience of working with businesses in the defence and aerospace sectors. He was also the Bristol office senior partner and South Regional Chair.

Mr Cotton is also Chair of Governors and Pro Chancellor of Solent University, Southampton where he also chairs the Governance Committee and is a member of the Remuneration Committee.

Mr Cotton chairs the Audit Committee of World Sailing, which is the global governing body for the sport of sailing.

Mr Cotton retires as a Director at the upcoming AGM.

DEBORAH WILKINSON

Ms Wilkinson (49) is an independent Non-Executive Director. She is the Chair of the Audit & Risk Committee and a member of the Remuneration Committee.

Ms Wilkinson is a Chartered Accountant (FCA) who trained with Deloitte and holds a BEng (Hons) in Mechanical Engineering. She 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.

Ms Wilkinson is also a Non-Executive Director and Chair of the Audit & Risk Committee of Compound Semiconductor Applications Catapult Limited.

PHILIP WALKER

Mr Walker (44) is the Group's Chief Executive Officer. He joined Pennant in 2014 as Chief Financial Officer, being promoted to CEO in February 2017.

He is a Chartered Accountant (FCA) and qualified corporate finance professional with an extensive background in corporate transactions (both buy side and sell side).

Since joining Pennant, Mr Walker has been responsible for leading the review, renewal and implementation of the Group strategic plan. In this role, Mr Walker has brought his experience to bear by driving the acquisition strategy and the Group's technology and software transformation.

As Chief Executive Officer, Mr Walker is responsible for the day-to-day running of all Group businesses and the execution of Group strategy.

DAVID CLEMENTS

Mr Clements (44) 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.

MICHAEL BRINSON

Michael Brinson (37) is the Group's Chief Financial Officer. He joined Pennant in February 2020 as Head of Finance and was appointed to the Board on 1 January 2023.

Mr Brinson is a Chartered Accountant (ACMA) with significant financial experience of the engineering, manufacturing, defence, and training industries. Prior to joining Pennant he was the Financial Controller responsible for Customer Support and Training at Leonardo Helicopters UK.

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

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 sought advice in respect of restructuring a commercial partnership and also overseas tax.

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 the Non-Executive Directors. It typically meets at least twice 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 the Non-Executive Directors.

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.

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 one or 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 2023 were as follows:

	BOARD	AUDIT & RISK COMMITTEE	REMUNERATION COMMITTEE
PHILIP COTTON	7/7	3/3	1/1
PHILIP WALKER	7/7	-	-
DAVID CLEMENTS	7/7	-	-
MICHAEL BRINSON	7/7	-	-
DEBBIE WILKINSON	7/7	3/3	1/1

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, supported by an Executive Committee comprising the Executive Directors together with the regional General Managers, the Director of Technology & Innovation and the Head of IPS and Strategic Development.

Following annual review and approval by the Board, the Group's Integrated Business Plan is promulgated 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.

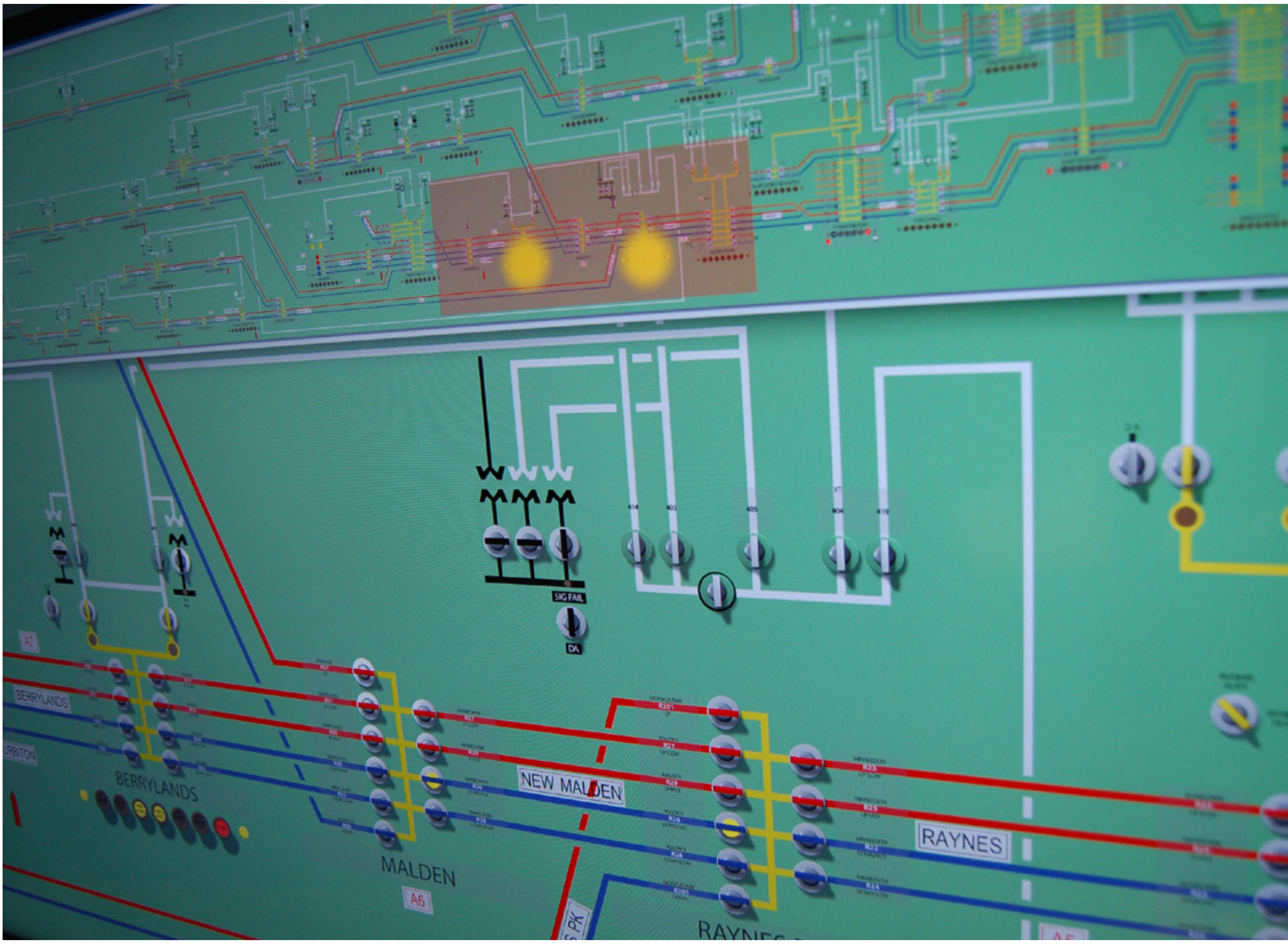
Key performance indicators (at both a contract and functional level) are reported monthly, providing visibility and accountability across the business leading to better products and services for customers, allowing effective risk management, and ensuring the Group retains its quality accreditations.

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, Michael Brinson, 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.



The Remuneration Committee plays an important role in the good governance of the Group. As set out in its Terms of Reference, the Committee determines the remuneration packages for Executive Directors and other senior employees and keeps the Group's policy on pay and benefits under review generally.

The Committee's general 'philosophy' as regards Executive remuneration is to pay in line with market averages for a public company of the Company's size and market sectors, with an ability to award bonuses for meeting and exceeding Committee-approved targets (which are aligned to successful business performance of the Group as measured against the Group's written Strategy Statement and its Integrated Business Plan). The Committee retains discretion to reduce or withhold awards as appropriate.

Under the Executive Directors' bonus scheme, bonuses are payable in respect of the 2023 financial year (the scheme is a cash bonus scheme which pays out upon the Group meeting or exceeding its financial targets for the year). Directors' emoluments in respect of 2023 are shown in the table below.

For the current year, the Committee will keep under review the long-term incentivisation of Executive Directors and senior employees, having regard to the need to control costs while ensuring that pay and benefits offered by the Group are appropriate for attracting and retaining the right people.

The Committee will continue to have due regard to remuneration reports from independent sources, to the guidance of its professional advisers and to good practice generally.

Philip Cotton
Chair
Remuneration Committee

20 June 2024

DIRECTORS' REMUNERATION (AUDITED)

	SALARY	BONUS	BENEFITS AND CAR ALLOWANCE	PENSION	**TOTAL 2023**	2022
	£'000	£'000	£'000	£'000	**£'000**	£'000
P H WALKER	226	41	18	23	**308**	305
D J CLEMENTS	162	29	14	16	**221**	218
P COTTON	54	-	-	-	**54**	50
M J BRINSON (APPOINTED 1 JANUARY 2023)	140	25	11	14	**190**	-
D WILKINSON (APPOINTED 1 FEBRUARY 2023)	40	-	-	-	**40**	-
J PONSONBY (UNTIL 22 OCTOBER 2022)	-	-	-	-	**-**	60
M SKATES (UNTIL 30 JUNE 2022)	-	-	-	-	**-**	123
	622	95	43	53	**813**	756

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

There were 850,000 share options held by the Directors in office at the end of 2023 (2022: 850,000) as further particularised on the following tables. There were no share options granted to Directors during the period.

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 2023 except where indicated otherwise and their beneficial interests in the ordinary shares of the Company were as stated below:

	31 DECEMBER 2023 5P ORDINARY SHARES	31 DECEMBER 2022 5P ORDINARY SHARES
	NUMBER	NUMBER
P H WALKER	73,145	65,645
D J CLEMENTS	84,508	77,008
P COTTON	18,633	18,633
M J BRINSON	44,624	37,124
D WILKINSON (APPOINTED 01 FEBRUARY 2023)	-	-

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

EMI OPTIONS	**2023**	2022
	NUMBER	NUMBER
P H WALKER	500,000	500,000
D J CLEMENTS	300,000	300,000
P COTTON	-	-
M J BRINSON	50,000	50,000
D WILKINSON (APPOINTED 01 FEBRUARY 2023)	-	-
TOTAL	**850,000**	850,000

EMI OPTIONS

Philip Walker holds 500,000 EMI options exercisable at 33.5p (granted on 8 November 2022) which vest 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. The options lapse upon the occurrence of certain events, including the termination of Mr Walker's employment. On 7 November 2022, Mr Walker surrendered an EMI option over 297,619 unissued ordinary shares which had vested and were exercisable at 84.0p (granted on 18 March 2015).

David Clements holds 300,000 EMI options exercisable at 33.5p (granted on 8 November 2022) which vest 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. On 7 November 2022, Mr Clements surrendered an EMI option over 100,000 unissued ordinary shares exercisable at 80.5p (granted on 12 September 2017) and over 205,455 unissued ordinary shares exercisable at 82.5p (granted on 26 March 2018). Of the surrendered shares, 236,970 had vested at the time of surrender.

Michael Brinson holds 50,000 EMI options (granted on 11 October 2021) at 30.0p per share exercisable from 36 months after the date of grant. The options have a performance condition such that they are not exercisable unless and until the Company's share price has been not less than 78.5p for a period of at least 20 consecutive business days. The options lapse upon the occurrence of certain events, including the termination of Mr Brinson's employment.

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

UNAPPROVED OPTIONS

No unapproved options were held by Directors at 31 December 2023.

Under the share option restructuring executed on 7 and 8 November 2022, Philip Walker surrendered 525,969 unapproved share options which were granted on 19 April 2017 at 55.0p.

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 2023 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 2023 financial statements

Following a competitive tender process led by the Committee, Evelyn Partners LLP have been selected as the Group's new auditor and a resolution to appoint them as auditor to the Group will be proposed at the AGM. Accordingly, Forvis Mazars LLP will retire from office at the AGM and the Group would like to express our gratitude for their service over the last 17 years.

Deborah Wilkinson
Chair
Audit & Risk Committee

20 June 2024


Fire
exit

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023.

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)

Philip Walker (CEO)

David Clements (Commercial and Risk Director)

Michael Brinson (CFO) – appointed 01 January 2023

Deborah Wilkinson (Non-Executive Director) – appointed 01 February 2023

The following Director has been appointed post Period-end:

Ian Dighé (Chair designate and Non-Executive Director) – appointed 07 February 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 (2022: £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 2023.

GOING CONCERN

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, however have noted the following uncertainties in relation to Going Concern:

- the timing of contractual delivery,
- the timing of pipeline conversion currently forecasted at the end of 2024; and
- the availability of adequate borrowing facilities for the duration of the review period

In reaching this conclusion the Directors have considered the financial position of the Group, its cash (including cash flows on major programmes), liquidity position and available debt facilities together with its forecasts and projections for 24 months from the reporting date that take into account reasonably possible changes in trading performance and post year end events. The going concern basis of accounting has therefore continued to be adopted in preparing the financial statements. Further details including the uncertainties are provided in Note 3 on pages 64 to 67.

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 £1.7 million (2022: £1.4 million).

POST BALANCE SHEET EVENTS

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 £210,000 and the property was immediately sold on the same date for £465,000. After agent and legal fees, the Group realised a profit of £231,000.

In May 2024, the Group utilised its preapproved authority from the 2023 AGM to place 15% of its share capital (circa 5.5 million shares) in order to raise £1.15 million after fees. The primary use of these funds will be to integrate the Pennant software suite with the release due in Q4 2024.

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 15 to 23.

The Group's exposure and approach to capital and financial risk, and approach to managing these is set out in note 32 to the Consolidated Financial Statements.

EMPLOYEE ENGAGEMENT

The Group engages with its employees regularly through various media including intranet, newsletters, 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. During the period, the Group carried out a comprehensive employee opinion survey which encompassed all regions and business units, with the results fed back to the Board and changes enacted in response.

A formal set of Core Values has been established focusing 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 for 2024 is 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 7 June 2023, the Company (acting by its Directors) was granted authority to purchase through the market up to 5,518,567 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 7 June 2023, 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 2024.

THE BOARD

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

The Directors in office as at the date of this report are named on pages 32 to 33.

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. Philip Walker and Philip Cotton retire at the AGM and Philip Walker, being eligible, offers himself for re-election. Having been appointed since the last AGM, Ian Dighé also retires at the AGM and stands for election.

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 2023 the Group has 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 following table.

INVESTOR	NUMBER OF SHARES HELD	% INTEREST IN THE TOTAL VOTING RIGHTS OF PENNANT
POWELL C C ESQ	6,278,253	17.02
PREMIER MITON GROUP	4,724,151	12.81
BRETT GORDON	3,325,000	9.02
ROCKWOOD STRATEGIC PLC	2,750,000	7.46
KILLIK & CO LLP	1,797,555	4.87
CANACCORD GENUITY GROUP	1,681,281	4.56
DOWGATE WEALTH	1,236,791	3.35

POLITICAL DONATIONS

The Group did not make any political donations during 2023 (2022: £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 6 to 7 and the Chief Executive's review on pages 8 to 9).

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held at its offices located at Unit D1, Staverton Connection, Staverton, Cheltenham, GL51 0TF on 17 July 2024. 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

Fovis Mazars LLP will retire from office at the AGM. Following a competitive tender process, Evelyn Partners LLP have been selected as the Group's new auditor and a resolution to appoint them as auditor to the Group will be proposed at the AGM.

Approved by the Board on 20 June 2024
and signed on its behalf

D J Clements
Director

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

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:

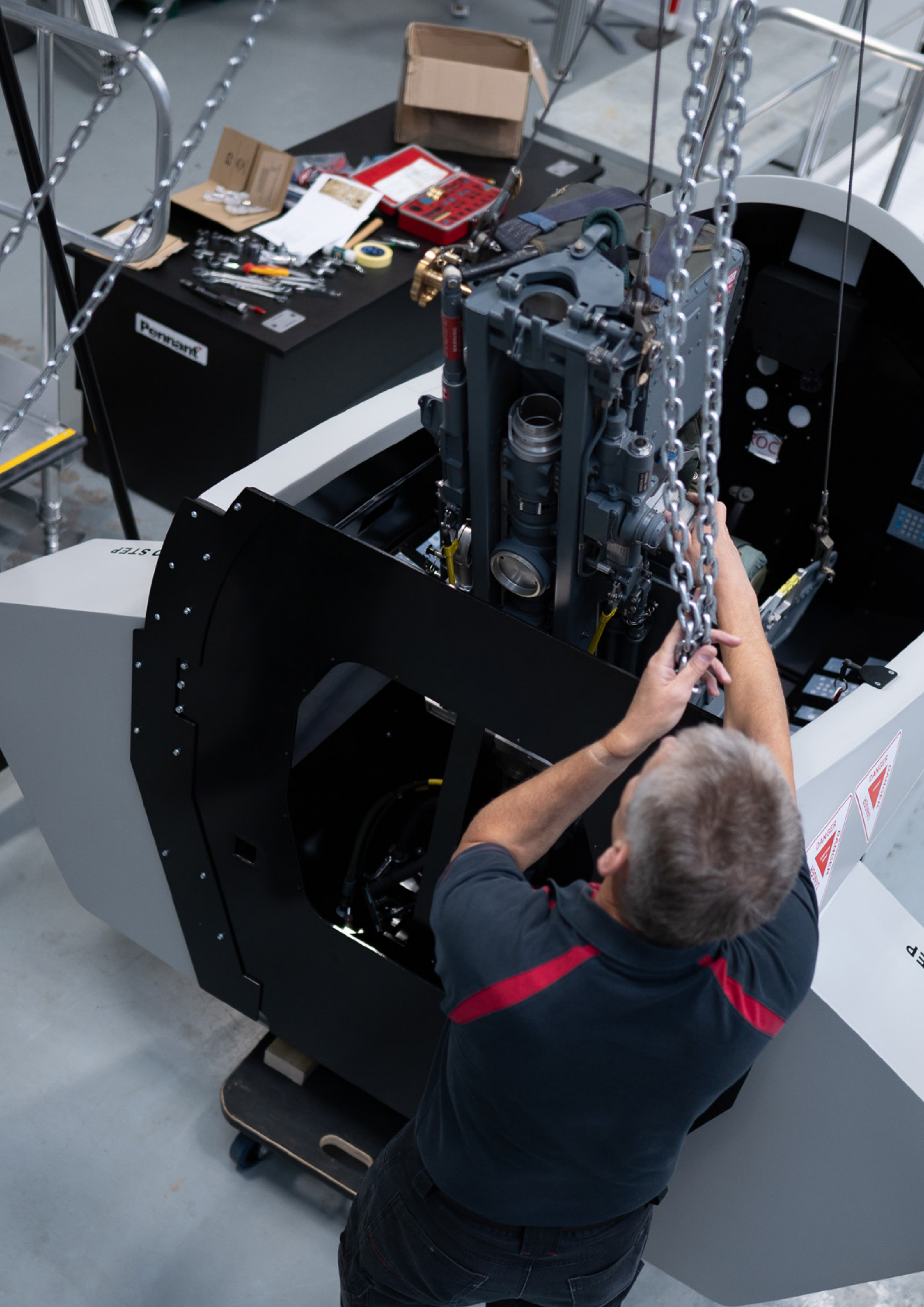
- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board on 20 June 2024
and signed on its behalf

D J Clements
Director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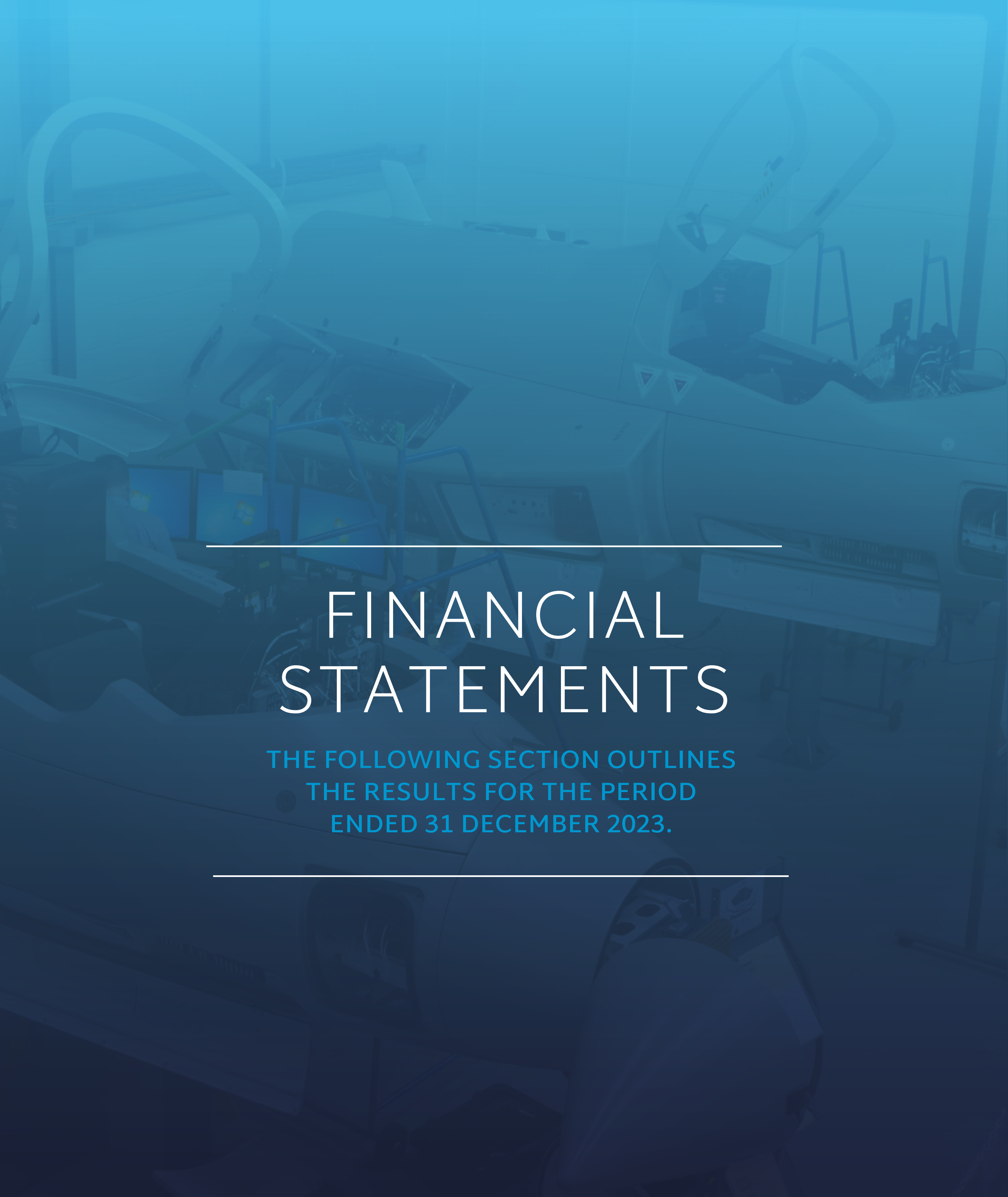


FINANCIAL STATEMENTS

THE FOLLOWING SECTION OUTLINES THE RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2023.

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 2023 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 notes to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

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 2023 and of the group's and the parent company's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- 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 the 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 SME 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3 in the financial statements, which indicates that there is a material uncertainty in relation to the timing of achievement of the major engineered solutions programme milestone which is due to be completed in July 2024 with the cash being expected to be received in August 2024. Should completion of the milestone and the subsequent cash receipt be delayed beyond October 2024, the Group may require a further temporary extension to the overdraft facility which is not contractually guaranteed.

The current major engineered solutions programme is expected to be completed in October 2024. The Group will then be required to secure new contracts. While the Group has an active pipeline with £32m of bids submitted in the 6 months to May 2024, a material uncertainty also exists in relation to the timing of the conversion of these pipeline opportunities and the ability of the Group to generate sufficient cash flows from these new contracts to enable the Group to continue to operate within its overdraft limit. Contracts have not yet been signed in support of these opportunities. As stated in note 3 should new contracts providing at least £2.9m of cash inflows not be secured management will be required either to seek an extension to the overdraft which is not contractually agreed and/or carry out a further equity placement for which authority will be sought at the AGM.

We note that based on management's models that this request for an extension is expected to occur around the time of the renewal of the overdraft facility in April 2025. The current facility of £3m is fully secured on the Group's property portfolio, and it is not guaranteed that the Group will be able to extend the facility. Renewal is also not guaranteed and therefore there is a material uncertainty in relation to the ability of the Group to secure adequate borrowing facilities to enable the Group to meet its liabilities as they fall due for the duration of the review period.

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

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's and the parent company's ability to continue to adopt the going concern basis of accounting included, but was not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Evaluating the directors' method to assess the group's and the parent company's ability to continue as a going concern;
- We obtained the group's going concern assessment, including reverse stress tests, and evaluated assumptions made including reviewing for areas of possible bias and assessed the appropriateness of potential mitigation disclosed in note 3 open to the directors to access further funding if required, namely increasing the overdraft limit or further funding raising via an issue of new share capital.
- We compared the assessment with current banking facilities, obtaining evidence for the period in which the overdraft facility has been renewed for in the going concern assessment period.
- We confirmed the mathematical accuracy of any models given to support the assessment and how sensitive the assessment is to changes in underlying assumptions, namely the achievement of key contractual milestones and the timing of pipeline opportunity conversions.
- We have agreed contractual cash flow payments back to underlying contracts and challenged management on the phasing of cash flows, including consistency with the results of our work on the major engineered solutions contracts. This included a consideration of the potential impact on the going concern assessment if completion and/or payment from customers is delayed,
- We engaged directly with Pennant's bankers, HSBC,
- We consulted internally in accordance with our risk management policies to ascertain the firm's view on the appropriateness of the use of the going concern basis of preparation and the disclosures made in relation to going concern within the accounts and
- Reviewing the appropriateness and completeness of the directors' disclosures in the financial statements including the disclosure of the events which individually or collectively casts significant doubt in regards the group and company's ability to continue as a going concern.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

The matters set out below are in addition to the "Material uncertainty related to going concern" above which, by its nature, is also a key audit matter.

KEY AUDIT MATTER	HOW OUR SCOPE ADDRESSED THIS MATTER
REVENUE RECOGNITION (GROUP) We see the risk of fraud in relation to revenue recognition principally relating to the accuracy of revenue recognised under engineered solution contracts. In particular around the judgements and estimates in respect of costs to complete for contracts that were in progress at year end and accounting for variable consideration and initial set up of contracts per the requirements of IFRS15. The Boeing contract and the close out of the General Dynamics contracts are the major contracts at the year end. The risk here is focused on the accuracy of the revenue recognition. Revenue recognised in respect of engineered solutions was £5,229,000 in the year ended 31 December 2023. (see note 5 to the consolidated financial statements).	**OUR RESPONSE** Our audit procedures included, but were not limited to: • Obtaining an understanding of the processes and controls over the recognition of revenue and performing walkthrough procedures to validate that those controls were appropriately designed and implemented. • Obtaining management's revenue recognition assessment and assessing whether revenue is recognised in line with the principles of IFRS 15, including the initial set up of contracts, the treatment of contract modifications and variable consideration such as liquidated damages. • Detailed testing of the accuracy and robustness of estimating costs to complete, including: • Detailed testing of costs allocated to contracts in the year. • Observing contract review meetings; • An assessment of potential and actual risks on the contract and challenging management on how they have been factored into cost to complete forecasts. • An assessment of the comparison of actual costs and forecasted costs post year end and what subsequent actions are being taken for any variations identified; and • An assessment of whether post year-end information, such as milestone achievement, supports management's view in terms of whether the remaining contract programme schedule is being followed and therefore judgements regarding the costs to complete made at the year-end were appropriate. **OUR OBSERVATIONS** Based on the work we have performed, including review of post year-end performance, we have not identified any material issues regarding the revenue recognition on the major engineered solution contracts.

KEY AUDIT MATTER	HOW OUR SCOPE ADDRESSED THIS MATTER
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSET (GROUP AND COMPANY) The Group held goodwill of £2,595,000 (see note 15) and other intangible assets with a net book value of £5,335,000 (see note 16) at year end. The net book value of intangible assets held by the parent company at year end was £5,608,000. (see note 8 of the Company financial statements). All cash generating units (CGUs) containing goodwill must be tested for impairment annually and when there is an indication of impairment. Impairment exists when the carrying amount of an asset or cash generating unit (CGU) exceeds the recoverable amount which is the higher of its fair value less costs of disposal and its value in use. The calculation of the recoverable amount requires the exercise of judgement by management in valuing CGUs through valuation models utilising discounted cash flow forecast calculations. There are judgements and estimates involved in managements impairment assessment including the forecast of cash flows, discount rates and long-term growth rates. The material uncertainty disclosed in relation to the timing of conversion of the pipeline of opportunities increases the risk that the carrying value of goodwill and other intangible assets may not be recoverable.	**OUR RESPONSE** We examined management's assessment of impairment and focused our audit effort on the challenge of key estimates and judgements. Our audit procedures included but were not limited to: • Obtaining and evaluated management's assessment of the identification of CGU's • Engaging our impairment specialists and valuation experts in this process, to complete an assessment of whether the calculations have been prepared in line with IAS36 and challenge the discount rate used by management; • Verifying the mathematical accuracy of the underlying calculations in the model. • Evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining support for forecast cash flows and assessing CGU specific cash flow assumptions. • Assessed the appropriateness of the key underlying assumptions such as sales growth, sales pipeline and profitability. We agreed pipeline orders to supporting documentation and challenged the likelihood of whether these will be secured; • Evaluating management's sensitivity analysis to ascertain the impact of reasonably probable changes in key assumptions including the impact of a 12 month delay in converting pipeline opportunities. • Assessing the impact of the disclosed material uncertainty in relation to the assessment of going concern on the assessment of impairment, • Assessing the appropriateness of the disclosures made within the financial statements. **OUR OBSERVATION** We evaluated management's assessment of cash generating units (CGUs) and agreed that two CGU's, training and software, was appropriate. Our impairment specialists have assessed both discounted cashflows for the training and software CGU's and noted that the models are appropriate and have sufficient headroom over the carrying value of the assets. In addition, our valuation expert concluded that the discount rates were within their expected range. We are satisfied that even if the conversion of pipeline opportunities is delayed by 12 months that it is appropriate that no impairment is recognised at the year end. While we are satisfied that the sensitivities and judgements have been disclosed appropriately within the accounts we draw your attention to the fact that the going concern basis of accounting has continued to be adopted in preparing the financial statements, although material uncertainties have been identified. The consolidated financial statements therefore do not include the adjustments to the carrying values of the goodwill and intangible assets that would result if the Group was unable to continue as a going concern.

KEY AUDIT MATTER

RECOVERABILITY OF DEFERRED TAX ASSETS (GROUP AND COMPANY)

The Group has recognised net deferred tax assets of £0.4m (2022: £1.5m) at 31 December 2023. The recognition of deferred tax assets is based on future levels of profitability in the relevant tax jurisdiction. The magnitude of the assets recognised necessitates the need for significant judgement in assessing the future levels of profitability. The material uncertainties disclosed in note 3 in relation to going concern present a heightened risk that deferred tax assets are recognised inappropriately given the recoverability of them could be dependent on the conversion of the current pipeline opportunities.

HOW OUR SCOPE ADDRESSED THIS MATTER

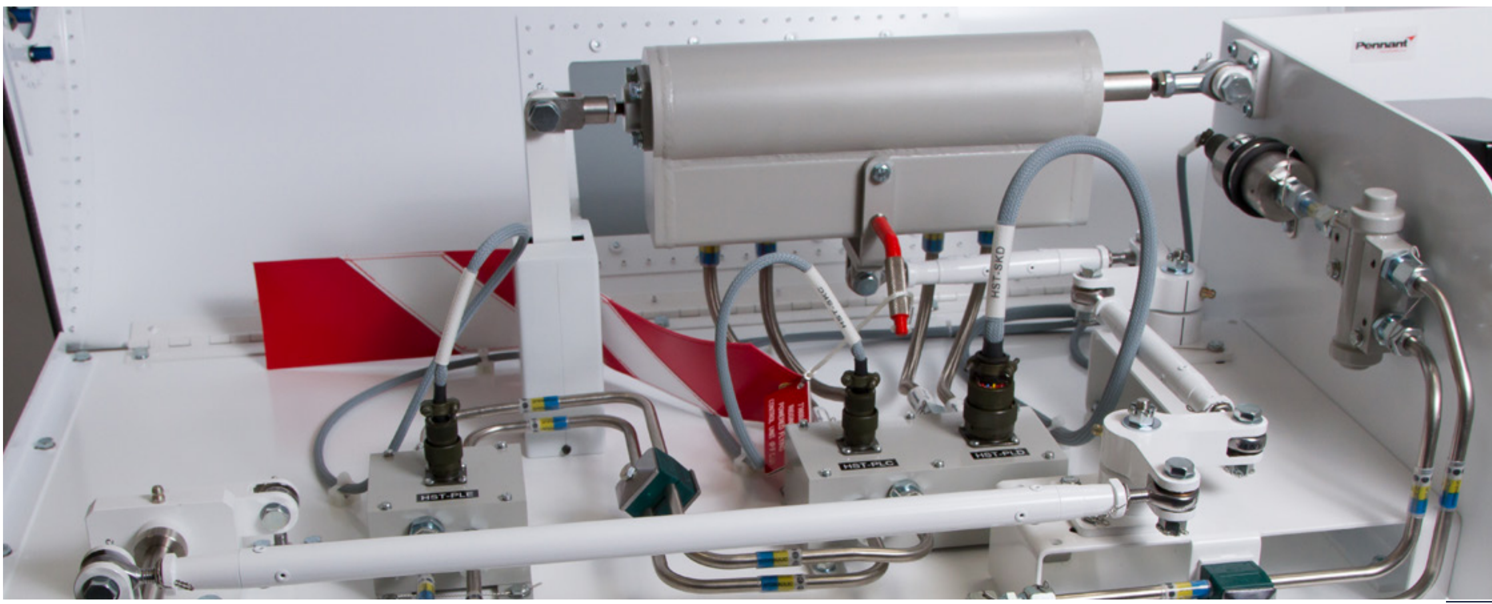
OUR RESPONSE

Our audit work in response to this risk included, but was not limited to:

- Evaluating management's assessment as to the availability of sufficient taxable profits in future periods to support the recognition of deferred tax assets, taking into account both the business model and the tax jurisdiction which the deferred tax assets relate to.
- Assessing the future taxable profit forecasts and the underpinning assumptions.
- Where applicable, reconciling the forecasts used to justify the recognition of deferred tax assets to those used elsewhere in the business including for impairment assessments, or for the Directors assessment of going concern.
- Assessing the impact of the material uncertainties in relation to the assessment of going concern disclosed in note 3 on the ability of the Group to recover the deferred tax assets.
- Assessing the appropriateness of the disclosures made within the financial statements.

OUR OBSERVATIONS

We evaluated management's assessment of the recoverability of the deferred tax asset in each tax jurisdiction and concluded that the deferred tax asset is recoverable and therefore has been appropriately recognised. We are satisfied that the disclosures within the accounts are appropriate



OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

GROUP MATERIALITY

OVERALL MATERIALITY	£194,186
HOW WE DETERMINED IT	Overall materiality has been determined with reference to a benchmark of revenue, of which it represents 1.25%.
RATIONALE FOR BENCHMARK APPLIED	We used revenue to calculate our overall materiality as, in our view, this is the most relevant measure of the underlying performance of the group given the volatility of the profit/(loss) before tax in recent years.
PERFORMANCE MATERIALITY	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £145,640, which represents 75% of overall materiality. On the basis of our risk assessments, together with our assessment of the group's overall control environment, we set performance materiality at approximately 75% of overall materiality.
REPORTING THRESHOLD	We agreed with the directors that we would report to them misstatements identified during our audit above £5,826 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

PARENT COMPANY MATERIALITY

OVERALL MATERIALITY	£85,069
HOW WE DETERMINED IT	Overall materiality has been determined with reference to a benchmark of total assets, of which it represents 1%.
RATIONALE FOR BENCHMARK APPLIED	We used total assets to calculate our overall materiality as, in our view this is the most relevant measure of the underlying financial position of the company due to it being an investment holding company.
PERFORMANCE MATERIALITY	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £63,801 which represents 75% of overall materiality. On the basis of our risk assessments, together with our assessment of the group's overall control environment, we set performance materiality at approximately 75% of overall materiality.
REPORTING THRESHOLD	We agreed with the directors that we would report to them misstatements identified during our audit above £2,552 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the group and the parent company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included an audit of the group and the parent company financial statements of Pennant International Group plc. Based on our risk assessment, Pennant International Group plc, Pennant International Limited, Pennant Canada Limited and Pennant Australasia Pty Limited were subject to full scope audit performed by the group audit team. Pennant America Inc was subject to specific procedures, which was performed by the group audit team.

At the parent company level, the group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

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. 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 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 light of the knowledge and understanding of the group and the parent company and its 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 the 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.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: GDPR, compliance with AIM rules for companies, employment regulation, health and safety regulation, anti-money laundering regulation and compliance with International Traffic in Arms Regulations (ITAR).

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as 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;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the accuracy assertion in relation to engineered solutions and the cut-off assertion in relation to software revenue), going concern, impairment of goodwill and other intangible assets and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council'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 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 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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Jonathan Barnard (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
90 Victoria Street
Bristol
BS1 6DP

20 June 2024

	NOTES	2023	2022
CONTINUING OPERATIONS		£'000	£'000
REVENUE	5	15,535	13,686
COST OF SALES		(7,808)	(7,897)
GROSS PROFIT		**7,727**	**5,789**
LAND AND BUILDINGS REVALUATION ON PREVIOUSLY IMPAIRED ASSET	17	39	-
PROFIT ON SALE OF LAND AND BUILDINGS	17	-	374
OTHER ADMINISTRATION EXPENSES		(7,880)	(7,276)
ADMINISTRATIVE EXPENSES		(7,841)	(6,902)
OTHER INCOME	8	209	123
OPERATING PROFIT/(LOSS)	**8**	**95**	**(990)**
FINANCE COSTS	10	(463)	(377)
FINANCE INCOME	11	1	2
LOSS BEFORE TAXATION		**(367)**	**(1,365)**
TAXATION	12	(566)	464
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**(933)**	**(901)**
EARNINGS PER SHARE	14		
BASIC		(2.53P)	(2.45P)
DILUTED		(2.53P)	(2.45P)

The accompanying notes on pages 64 to 101 are an integral part of these financial statements.

	NOTES	2023 £'000	2022 £'000
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**(933)**	(901)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:			
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS		(120)	109
PRIOR YEAR AMORTISATION ADJUSTMENT		-	39
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
NET REVALUATION GAIN	17	113	-
DEFERRED TAX (CHARGE) / CREDIT – PROPERTY, PLANT AND EQUIPMENT	26	(28)	248
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**(968)**	(505)

	NOTES	2023 £'000	2022 £'000
NON-CURRENT ASSETS			
GOODWILL	15	2,595	2,507
OTHER INTANGIBLE ASSETS	16	5,335	4,690
PROPERTY, PLANT AND EQUIPMENT	17	4,155	4,002
RIGHT-OF-USE ASSETS	18	860	503
DEFERRED TAX ASSETS	26	399	1,497
TOTAL NON-CURRENT ASSETS		**13,344**	**13,199**
CURRENT ASSETS			
INVENTORIES	19	980	1,001
TRADE AND OTHER RECEIVABLES	20	2,647	4,129
CORPORATION TAX RECOVERABLE		641	354
CASH AND CASH EQUIVALENTS	22	1,099	1,107
TOTAL CURRENT ASSETS		**5,367**	**6,591**
TOTAL ASSETS		**18,711**	**19,790**
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	21	4,099	5,862
BANK OVERDRAFT	22	2,978	1,533
CURRENT TAX LIABILITIES		1	155
LEASE LIABILITIES	23	420	174
DEFERRED CONSIDERATION ON ACQUISITION	24	468	327
TOTAL CURRENT LIABILITIES		**7,966**	**8,051**
NET CURRENT LIABILITIES		**(2,599)**	**(1,460)**
NON-CURRENT LIABILITIES			
LEASE LIABILITIES	23	501	385
WARRANTY PROVISIONS	27	144	107
CONTINGENT CONSIDERATION ON ACQUISITION	24	283	552
TOTAL NON-CURRENT LIABILITIES		**928**	**1,044**
TOTAL LIABILITIES		**8,894**	**9,095**
NET ASSETS		**9,817**	**10,695**
EQUITY			
SHARE CAPITAL	28	1,844	1,840
SHARE PREMIUM ACCOUNT		5,383	5,366
CAPITAL REDEMPTION RESERVE		200	200
RETAINED EARNINGS		1,990	2,844
TRANSLATION RESERVE		215	335
REVALUATION RESERVE		185	110
TOTAL EQUITY		**9,817**	**10,695**

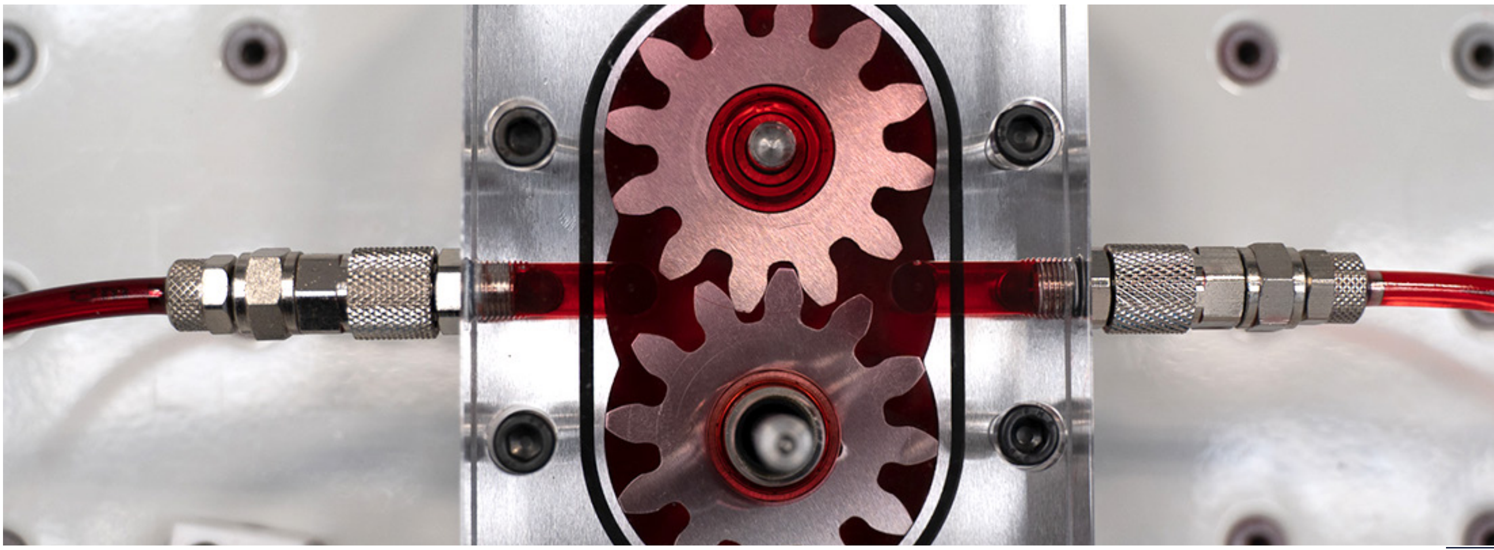
Approved by the Board and authorised for issue on 20 June 2024

MJB

M J Brinson - Director

The accompanying notes on pages 64 to 101 are an integral part of these financial statements.

	SHARE CAPITAL (SEE PAGE 62)	SHARE PREMIUM (SEE PAGE 62)	CAPITAL REDEMPTION RESERVE (SEE PAGE 62)	RETAINED EARNINGS (SEE PAGE 62)	TRANSLATION RESERVE (SEE PAGE 62)	REVALUATION RESERVE (SEE PAGE 62)	TOTAL EQUITY
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
AT 1 JANUARY 2022	1,832	5,345	200	2,687	226	854	11,144
(LOSS) FOR THE YEAR	-	-	-	(901)	-	-	(901)
OTHER COMPREHENSIVE INCOME / (LOSS)	-	-	-	1,031	109	(744)	396
	1,832	5,345	200	2,817	335	110	10,639
ISSUE OF NEW ORDINARY SHARES	8	21	-	(2)	-	-	27
RECOGNITION OF SHARE BASED PAYMENT	-	-	-	29	-	-	29
TRANSFER FROM REVALUATION RESERVE	-	-	-	-	-	-	-
AT 31 DECEMBER 2022	1,840	5,366	200	2,844	335	110	10,695
(LOSS) FOR THE YEAR	-	-	-	(933)	-	-	(993)
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**



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

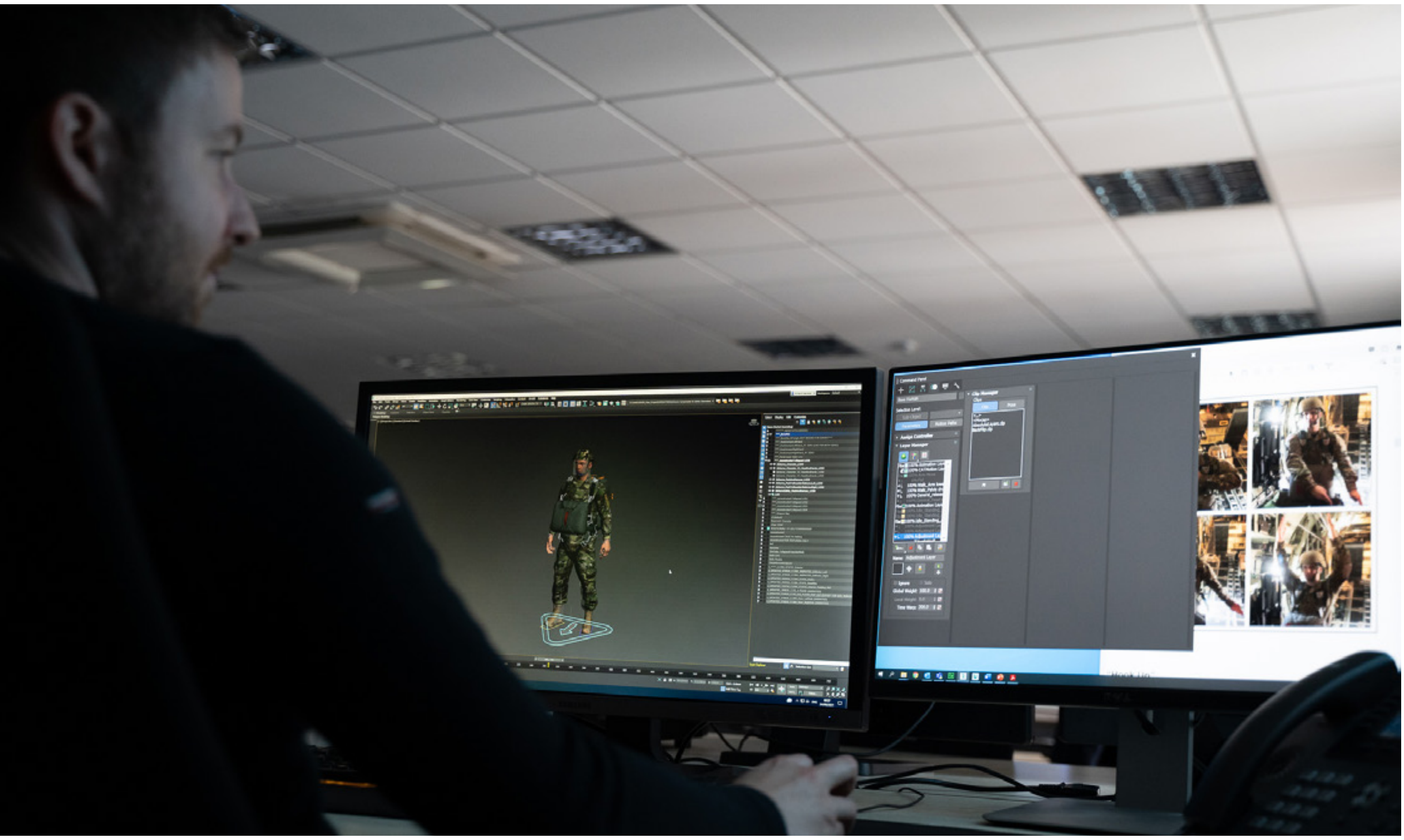
This represents the accumulated realised earnings from the prior and current periods as reduced by losses and dividends from time to time.

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.



	NOTES	2023 £'000	2022 £'000
NET CASH FROM OPERATIONS	29	**1,294**	2,572
INVESTING ACTIVITIES			
INTEREST RECEIVED	11	1	2
PAYMENT FOR ACQUISITION OF SUBSIDIARIES, NET OF CASH ACQUIRED	34	(214)	-
DEFERRED CONSIDERATION PAID IN RESPECT OF PRIOR YEAR ACQUISITION	24	(352)	(547)
PURCHASE OF INTANGIBLE ASSETS	16	(1,453)	(1,150)
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT	17	(305)	(63)
PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	17	-	2,117
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(2,323)**	359
FINANCING ACTIVITIES			
PROCEEDS FROM ISSUE OF ORDINARY SHARES	28	21	24
REPAYMENT OF LEASE LIABILITIES	23	(195)	(207)
NET CASH FROM FINANCING ACTIVITIES		**(174)**	(183)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,203)**	2,748
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22	(426)	(3,540)
EFFECT OF FOREIGN EXCHANGE RATES		(250)	366
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**(1,879)**	(426)

1. GENERAL INFORMATION

Pennant International Group plc is a public company incorporated in England and Wales under the Companies Act 2006. 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 2023

The Group has applied the following new accounting standards and amendments for the first time in the annual reporting period commencing 1 January 2023. The amendments listed did not have a material impact on the Group's financial statements for the current or prior Period.

- *IFRS 17 Insurance Contracts;*
- *IFRS 17 Insurance Contracts (Amendment): Initial Application of IFRS 17 and IFRS 9 – Comparative Information;*
- *Definition of Accounting Estimates – amendments to IAS 8;*
- *International Tax Reform – Pillar Two Model Rules – amendments to IAS 12;*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12; and*
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.*

The following amendments to accounting standards have been published but are not mandatory for 31 December 2023 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.

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

ANALYSIS OF CURRENT BUSINESS PROSPECTS

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 risk scenarios tested are detailed in the 'summary of assessment methodology' on page 65.

During the Covid-19 pandemic, the Group took decisive action to restructure its cost base, removing circa £0.9 million of annualised costs from the business, which has continued to be realised in 2023 despite economic pressures requiring inflationary linked pay rises for staff. Furthermore, the Group continues to work closely with its customers and suppliers to ensure contractual milestones are met and related payments are received.

The Group has a £3 million annually renewing overdraft facility in place with its bankers, HSBC. This reduced from £4 million due to the sale of surplus property in 2022 for £2.1 million following the strategic redirection of the company. The terms of this facility have not been modified following the bank's annual review of the facility carried out in April 2024. Furthermore, in order to support the strategic investment in our integrated software suite, in May 2024 the Group utilised its 15% placing authority to raise circa £1.2 million net of fees (see Post Balance Sheet Events note on page 101). The Board also confirmed an intention to subscribe for a further £200k of shares in aggregate, subject to a further placing authority being approved at the 2024 AGM. Assuming the Board's subscription proceeds as expected, the total proceeds after fees will be £1.4 million.

The cash outflows related to the deferred payment for the acquisitions of ADG (£417k including interest) and TAP (£176k) were settled in March and April 2024 respectively. A final payment of £342k plus interest in respect of the ADG acquisition is payable in March 2025.

SUMMARY OF ASSESSMENT METHODOLOGY

The Director's assessment of the Group's prospects was informed by the following processes.

Risk management and annual business planning process – the Group has a well-developed approach to the management of risk, and emerging risks identified by the Board. These risks are reviewed and factored into the annual business plan which is aligned to the Group's strategic objectives.

Cashflow and scenario analysis and 'reverse stress' testing – based on the output from the Board approved budget, the Directors have reviewed the Group's forecast working capital requirements, cash flow, current borrowing facilities and other funding options available to the Group over the review period. This analysis included scenario testing of adverse factors and 'reverse stress testing' of the Group's cash flow under severe but plausible scenarios. The cashflow scenarios tested were as follows:

- Test 1: During the review period, the Group discharges work in line with a 'management case' scenario including the final two milestones on the major programme and secures certain pipeline wins in 2024 to align to this budget. Further selected pipeline wins are secured in 2025, aligned to the discounted cashflow models prepared for impairment testing (see note 15) with any known or likely delays to contract wins factored into the cashflows. Cash inflows from three pipeline opportunities have been included in the scenario which represents approximately 25% of the Group's pipeline as at 31 December 2023. Under this test, the Group remained within its currently available facilities of £3 million within the period 18 months from the signing of these financial statements.
- Test 2: As a stress test to 'Test 1', delays to contracted receipts are experienced on certain programmes for between 1 and 3 months. There are no cashflow delays modelled for cash receipts on the major programme. In addition the conversion of the three pipeline opportunities is delayed by 3 months. Under this test, the forecast indicates that the facility will also be sufficient with the lowest point for cash being at the end of July 2024 at a net debt figure of £2.55 million with headroom of £0.45 million with the available facilities.
- Test 3: As a further stress test to 'Test 2', selected pipeline opportunities are removed entirely from the forecast period to model the impact of extremely significant delays or not securing the contract. The cost of bought out materials related to the contractual execution of the excluded opportunity are also removed from the model for the forecast period. The average cash inflows removed from the models in this test was £370k in 2024 and £2.5 million in 2025. This test indicates that the facility will be sufficient if any one of the three principal opportunities is removed entirely from the forecast period. However, in the most severe of these cases the Group cashflow would consistently be close to breaching the facility of £3 million throughout the forecast period.

The Directors have assessed the sensitivities of the cashflow forecasts and have considered whether there are any uncertainties that could lead to the cashflow forecasts becoming more adverse than in each of the scenarios detailed above. The aforementioned low point for cash is July 2024 where the Group is forecast to have £450k of headroom, and which recovers when a cash receipt from a major programme milestone is invoiced and received. The milestone is related to a programme that the Group has been executing since H1 2022 with each of the previous milestones met on, or ahead of, schedule. The programme milestones in 2024 have also been reprofiled in agreement with the customer in order to reduce schedule and technical risk and serve to bring cash receipts forward. In addition, the milestone consists of 4 events, one of which has been successfully achieved in early June 2024 with the other three events scheduled to follow in June and early July 2024. It is therefore the view of the Directors that the risk of any delay to this milestone receipt is unlikely. The cash receipts in relation to this milestone are forecast in mid-August on 30-day terms with a contractual milestone date of mid-July. The model indicates that delaying the completion of the milestone to September, which would still allow for cash to be received in October would not cause the Group to breach its overdraft limit However, should an unforeseen delay occur and the cash receipt be delayed beyond the end of October then it could cause a material uncertainty as the Group would be forecast to breach the £3 million facility at that point. In order to mitigate this extreme scenario, the Board would seek to extend its overdraft facility on a temporary basis. The Group's bankers, HSBC, have demonstrated their support for Pennant through the provision of a number of temporary extensions to the overdraft facility, most recently from April 2024 through to the end of June 2024 in order to provide cashflow cover ahead of the equity placing. Given the support that HSBC have historically provided to Pennant, the Directors have an expectation that a facility extension would be considered by HSBC on a temporary basis should the need arise. It should be noted however, that this mitigant is not contractually guaranteed at the time of signing the accounts.

Once the major programme is completed in September 2024, the cashflow forecasts are underpinned by the receipt of new orders in 2025. The models incorporate cashflows from securing approximately 25% of the pipeline by value. In test 2 the timing of the conversion of the pipeline has been subjected to a 3-month delay and in test 3 the Directors also modelled the removal of certain opportunities entirely. The cash forecasts only include a limited number of opportunities (approximately 25% by value of the total pipeline as at 31 December 2023), selected based on their characteristics – i.e. where Pennant are sole-source, the incumbent supplier and/or the maturity of the funding of budgets etc. It should be noted that there are a number of further pipeline opportunities not reflected in the cashflow scenarios which could deliver cashflows of a similar quantum and in the same timescales should there be any delays or contracts not secured beyond that already tested.

As per the stock exchange announcement dated 14 May 2024, the Group has witnessed a significant increase in requests for quotations with £32 million of proposals submitted in the previous six months. It is this level of activity, spanning the Group's product range and regions that provides confidence to the Directors that the cashflows into 2025 will be supported by pipeline wins. That said, the announcement also highlighted the uncertainty regarding timing in relation to the securing of new contracts which is outside of the control of the Directors. That gives rise to a material uncertainty in relation to the timing of conversion of pipeline opportunities and the related cash flows.

Where opportunities to the value of circa £2.9 million are not secured (per Test 3), then the Group may not have adequate cash inflows to allow it to continue to operate within its agreed overdraft limit. Should this occur, the Directors would need to explore mitigants. The Group will seek to renew a cash placing authority at the 2024 AGM which will firstly be utilised to enact the Directors' intended subscriptions following the AGM and could be further utilised to raise funds at the prevailing share price at the time of need. Having successfully utilised the authority in May 2024, the Directors have confidence that a further placing would be successful. A further mitigant would be an extension to the facility from HSBC although it should be noted that an extension is not contractually guaranteed. The secondary mitigant could potentially coincide with the annual review of the facility and any request to increase the facility above £3m (currently secured against the freehold property portfolio valued at £3.1m as at 31 December 2023) may not be granted by HSBC. This would create a material uncertainty as the Group may not have access to sufficient borrowing facilities for the full period of the review .

The scenario analysis and forward-looking assessments described above are inherently subject to risk and uncertainty; and the greater the period of any projection, the greater the exposure thereto. There is no guarantee that actual results will be consistent with any of these assessments. Events and outcomes may transpire during the relevant period(s) which have an impact more adverse than contemplated by the assessments.

GOING CONCERN CONCLUSION

In summary, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, however have noted the following uncertainties

- the timing of contractual delivery,
- the timing of pipeline conversion currently forecasted at the end of 2024; and
- the availability of adequate borrowing facilities for the duration of the review period

If these uncertainties were to arise there would be a material uncertainty as to the ability of the Group to continue to be a going concern without appropriate mitigation being implemented. The mitigations above are not fully at the discretion of the Directors at the time of signing. In reaching this conclusion the Directors have considered the financial position of the Group, cash flows on contracted programmes and the impact and likelihood of delays to contract wins as mentioned above and available borrowing facilities. The Board has also not included in its forecasts certain unbudgeted pipeline opportunities which may be secured in the coming months, particularly software sales which tend to have shortened sales cycles.

The going concern basis of accounting has therefore continued to be adopted in preparing the financial statements. The consolidated financial statements do not include the adjustments to the carrying values of the goodwill and intangible assets that would result if the Group was unable to continue as a going concern.

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. Development of a new or upgraded generic product, where there is an entitlement to payment for work completed to date and either no alternative use to the Group or the upgrade is to an asset controlled by the customer, is recognised over time.

SOFTWARE PRODUCTS & LICENCES

Revenues arising from the sale of off-the-shelf software products and licences are recognised at the point of sale.

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 services is recognised over time or on a point in time basis as determined by the terms of the customer contract. Revenues arising from technical support or software hosting contracts are recognised over the period to which the support agreements relate. 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

The Group leases various business premises and vehicles. Lease contracts typically range from six months to in excess of five years. Extension and termination options are included in certain property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of premises for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments where applicable:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Where the Group is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the useful life to include the period covered by the option. While the Group has revalued the land and buildings it owns and which are included in property, plant and equipment, it has elected not to do so for the right-of-use land and buildings leased by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

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 classified as equity and transferred to the Group's translation 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 at 1 January 2022* 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 2021 with no further revaluation adjustments made as at 31 December 2022. The revaluation as at 31 December 2023 has reversed the depreciation charge in the year.*

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 8.

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.

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 26) 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 and the material uncertainty disclosed within the going concern assessment section of note 3.

Significant items on which the Group has exercised accounting judgement include recognition of deferred tax assets in respect of tax losses in Pennant International Limited. Deferred tax has been recognised based on the amount of taxable profits in the profit forecasts. Deferred tax has been recognised to the extent that future forecasts (excluding a selection of pipeline opportunities totalling £18 million aligned to the extreme but plausible scenario in the Going Concern scenario analysis in note 3) support the carrying value. As a result, UK trading losses with a gross value of £1.3 million have not been recognised within the deferred tax asset disclosed in note 26. After the approval of the Financial Statements, if the expected conversion of the pipeline occurs, a deferred tax asset in relation to these losses may be recognised or there may be a reduction in any taxable profits made in the UK entities in 2025. The unrecognised deferred tax asset in relation to the above losses amounts to £324k.

A deferred tax asset in relation to temporary timing differences within Pennant America Inc. has been recognised on the basis of taxable profit over the three years to 2026. As a result, temporary timing differences of £812k have not been recognised as part of the deferred tax asset. If future profits exceed the current forecast an additional deferred tax asset of £226k may be recognised.

KEY SOURCE OF ESTIMATION UNCERTAINTY

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation, as described in note 15, requires estimates of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. A 12-month delay in the conversion of three pipeline opportunities was modelled and the Directors are satisfied that this would not result in an impairment of the CGUs. The sensitivity relating to the estimates of future cashflows is further detailed in the Going Concern disclosures in note 3 and also in note 15. Management estimates a 2.5% increase in the discount rate would not result in the impairment of Goodwill in either of the Cash Generating Units (see note 15). The carrying amount of goodwill at the balance sheet date was £2,595k (2022: £2,507k) and the review has been carried out by the Directors.

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 2023, 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 Q3 2024.

In addition, the majority of the bought out materials have been procured as at 31 December 2023 therefore mitigating sensitivities of inflationary pressures on the materials estimate. The Directors have assessed that a 5% increase or decrease in the estimated cost to complete would result in an immaterial impact to the financial statements. The Directors estimate the standalone selling price at contract conception based on products supplied in similar circumstances to similar customers. Estimation regarding variable considerations on contractual obligations is also reflected within the revenue recognition.

5. REVENUE

AN ANALYSIS OF THE GROUP'S REVENUE BY PRODUCT GROUP IS AS FOLLOWS:	**2023 £'000**	2022 £'000
SOFTWARE LICENCES & PRODUCTS	1,111	1,377
SOFTWARE MAINTENANCE	1,589	1,458
SOFTWARE AND TECHNICAL SERVICES	6,873	7,410
ENGINEERED SOLUTIONS	5,229	2,410
GENERIC PRODUCTS	733	1,031
TOTAL GROUP REVENUE	**15,535**	13,686

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 2022 now recognised in this year amounts to £2,552k (2022: £694k).

As at 31 December 2023 the transaction price of performance obligations unsatisfied at the period end was as follows:

	2023 £'000	2022 £'000
WITHIN 1 YEAR	7,835	6,769
IN 2-5 YEARS	2,587	4,285
AFTER 5 YEARS	770	-
	11,192	11,054

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 CGUs and the three regions, UK & Europe, North America and Indo-Pacific (as detailed on page 9 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)	
	2023	2022	**2023**	2022
TRAINING	**£'000**	£'000	**£'000**	£'000
UK & EUROPE	7,872	4,895	2,309	(697)
NORTH AMERICA	-	-	-	-
INDO-PACIFIC	1,288	1,462	247	109
SUB-TOTAL TRAINING	9,160	6,357	2,556	(588)
SOFTWARE				
UK & EUROPE	**949**	662	**736**	539
NORTH AMERICA	**4,051**	4,985	**(263)**	1,435
INDO-PACIFIC	**1,375**	1,682	**225**	257
SUB-TOTAL SOFTWARE	**6,375**	7,329	**698**	2,231
TOTAL EXTERNAL SALES	15,535	13,686	**3,254**	1,643
MANAGEMENT CHARGES & LICENCE FEES			**(3,159)**	(2,633)
NET FINANCE COSTS			**(462)**	(375)
LOSS BEFORE TAX			**(367)**	(1,365)

6.2 SEGMENT ASSETS AND LIABILITIES

TRAINING

	2023	2022
SEGMENT ASSETS:	**£'000**	£'000
UK & EUROPE	9,876	9,503
NORTH AMERICA	-	-
INDO-PACIFIC	330	118
CONSOLIDATED ASSETS	10,206	9,621
SEGMENT LIABILITIES:		
UK & EUROPE	5,449	5,319
NORTH AMERICA	-	-
INDO-PACIFIC	457	457
CONSOLIDATED LIABILITIES	5,906	5,497

SOFTWARE

	2023	2022
SEGMENT ASSETS:	£'000	£'000
UK & EUROPE	4,113	3,813
NORTH AMERICA	3,041	4,770
INDO-PACIFIC	1,350	1,586
CONSOLIDATED ASSETS	8,505	10,169

SEGMENT LIABILITIES:		
UK & EUROPE	501	550
NORTH AMERICA	701	770
INDO-PACIFIC	1,786	2,278
CONSOLIDATED LIABILITIES	2,988	3,598

6.3 OTHER SEGMENT INFORMATION

TRAINING

	DEPRECIATION AND AMORTISATION*		ADDITIONS TO NON-CURRENT ASSETS*	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
UK & EUROPE	765	1,199	933	221
NORTH AMERICA	-	-	-	-
INDO-PACIFIC	32	95	346	6
	796	1,294	1,278	227

SOFTWARE

	DEPRECIATION AND AMORTISATION*		ADDITIONS TO NON-CURRENT ASSETS*	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
UK & EUROPE	913	654	1,261	1,032
NORTH AMERICA	23	22	83	4
INDO-PACIFIC	103	105	232	7
	1,039	781	1,576	1,043

* 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.

	2023 **£'000**	2022 £'000
UK		
CUSTOMER 1	5,220	451
CANADA		
CUSTOMER 2	2,370	2,795

7. STAFF COSTS

THE AGGREGATE REMUNERATION COMPRISED:	**2023** **£'000**	2022 £'000
WAGES AND SALARIES	8,020	7,602
SOCIAL SECURITY COSTS	890	837
OTHER PENSION COSTS (NOTE 31)	341	309
	9,251	8,748

The highest paid Director remuneration is detailed in the 'Remuneration Report' on pages 36 to 39.

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

	2023 **NUMBER**	2022 NUMBER
OFFICE AND MANAGEMENT	32	28
PRODUCTION	103	107
SELLING	5	5
	140	140

8. OPERATING PROFIT/(LOSS) FOR THE YEAR

	2023	2022
	£'000	£'000
THE OPERATING PROFIT/(LOSS) FOR THE YEAR IS STATED AFTER CHARGING /(CREDITING):		
NET FOREIGN EXCHANGE (PROFIT)/LOSS	(73)	119
RESEARCH AND DEVELOPMENT COSTS*	1,033	818
OTHER INCOME ARISING FROM RDEC CLAIM (R&D)	(205)	(113)
PROPERTY RENTAL AND SUNDRY OTHER INCOME	(4)	(10)
AMORTISATION OF INTANGIBLE ASSETS	1,330	1,585
REVERSAL OF PREVIOUSLY RECOGNISED IMPAIRMENT LOSS AS A RESULT OF LAND AND BUILDINGS REVALUATION (NOTE 17)	(39)	-
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	305	373
DEPRECIATION OF RIGHT-OF-USE ASSETS	200	183
SHARE-BASED PAYMENT (NOTE 29)	69	29
(PROFIT)/LOSS ON DISPOSAL OF LAND AND BUILDINGS (NOTE 17)	-	(374)
(PROFIT)/LOSS ON DISPOSAL OF OTHER PROPERTY, PLANT AND EQUIPMENT (NOTE 17)	-	(6)

* In addition, in 2023 research and development costs of £1,425k were capitalised (2022: £1,139k)

9. AUDITOR REMUNERATION

	2023	2022
	£'000	£'000
FEES PAYABLE TO THE COMPANY'S AUDITOR FOR:		
THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS	76	70
THE AUDIT OF THE COMPANY'S GROUP UNDERTAKING	40	37
	116	**107**

10. FINANCE COSTS

	2023	2022
	£'000	£'000
INTEREST EXPENSE FOR BANK OVERDRAFT	180	142
LEASE INTEREST	79	55
INTEREST PAYABLE ON DEFERRED CONSIDERATION ON ACQUISITION	49	56
MOVEMENT IN DISCOUNTING APPLIED TO DEFERRED CONSIDERATION	109	97
OTHER INTEREST EXPENSE	46	27
	463	377

11. FINANCE INCOME

	2023	2022
	£'000	£'000
OTHER INTEREST RECEIVABLE	1	2
	1	2

12. TAXATION

	2023	2022
	£'000	£'000
RECOGNISED IN THE INCOME STATEMENT		
CURRENT UK TAX CREDIT	137	178
FOREIGN TAX CREDIT / (CHARGE)	110	(323)
IN RESPECT OF PRIOR YEARS	150	191
SUB-TOTAL CURRENT TAX	**397**	46
DEFERRED TAX (CHARGE) / CREDIT RELATING TO ORIGINATION AND REVERSAL OF TEMPORARY DIFFERENCES	(990)	485
IN RELATION TO PRIOR YEARS	44	(88)
EXCHANGE RATE DIFFERENCE	(17)	21
SUBTOTAL DEFERRED TAX	**(963)**	418
TOTAL INCOME STATEMENT TAX CREDIT	**(566)**	464
OTHER COMPREHENSIVE INCOME CHARGE FOR THE PERIOD DEFERRED TAX	**(28)**	248

RECONCILIATION OF EFFECTIVE TAX RATE		
LOSS BEFORE TAX	**(367)**	(1,365)
TAX AT THE RATE APPLICABLE IN THE UNITED KINGDOM OF 23.52% (2022: 19.00%)	86	259
TAX EFFECT OF EXPENSES NOT DEDUCTIBLE IN DETERMINING TAXABLE PROFIT	(198)	30
TAX EFFECT OF INCOME EXCLUDED FROM TAXABLE PROFITS	9	233
IMPACT OF R&D TAX CREDITS	57	77
FOREIGN TAX EXPENSED	(8)	-
EFFECT OF DIFFERENT TAX RATES OF SUBSIDIARIES OPERATING IN OTHER JURISDICTIONS	45	(53)
EFFECT OF (HIGHER) / LOWER RATE OF DEFERRED TAX	(28)	175
EFFECT OF CHANGE IN RECOGNITION OF DEFERRED TAX ASSET	(601)	-
EFFECT OF ADJUSTMENTS FOR PRIOR YEARS (CURRENT TAX)	150	191
EFFECT OF ADJUSTMENTS FOR PRIOR YEARS (DEFERRED TAX)	44	(88)
OTHER DIFFERENCES	(122)	(360)
TOTAL TAX CHARGE/CREDIT	**(566)**	464

13. DIVIDENDS

No dividends were paid during the year (2022: £NIL). No final dividend will be proposed at the Annual General Meeting (2022: £NIL).

14. 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:

	2023	2022
	£'000	£'000
LOSS AFTER TAX ATTRIBUTABLE TO EQUITY HOLDERS	(933)	(901)

	NUMBER	NUMBER
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES IN ISSUE DURING THE YEAR	36,836,443	36,725,879
DILUTING EFFECT OF WEIGHTED AVERAGE SHARE OPTIONS IN ISSUE DURING THE YEAR*	1,610,000	1,414,228
DILUTED AVERAGE NUMBER OF ORDINARY SHARES	38,446,443	38,140,107
EARNINGS PER SHARE (BASIC)	(2.53P)	(2.45P)
EARNINGS PER SHARE (DILUTED)*	(2.53P)	(2.45P)

*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.

As described in detail at note 26, the Company issued 5,431,767 ordinary shares at 25p each through a placing and subscription for shares.

15. GOODWILL

CARRYING AMOUNT:	**£'000**
AT 1 JANUARY 2022	2,403
CURRENCY TRANSLATION	104
AT 1 JANUARY 2023	2,507
CURRENCY TRANSLATION	(62)
ACQUISITION OF TRACK ACCESS PRODUCTIONS LTD	150
AT 31 DECEMBER 2023	**2,595**

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 (sale of Licences, Maintenance and 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:	**2023 £'000**	2022 £'000
TRAINING	734	584
SOFTWARE	1,861	1,923
	2,595	2,507

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 are extrapolated for a further four years beyond the twelve-month annual budget period at a growth rate of 5% (2022: 5%). The forecast includes a terminal value at a terminal growth rate of 2%.

TRAINING CGU:

Cashflows are forecast for an additional two years beyond the twelve-month approved financial budget period based on a contract level review with the addition of expected cash flows generated from 'pipeline' opportunities. As at 31 December 2023 the Training CGU had an active pipeline of circa £70 million (2022: £60 million) and in testing the goodwill for impairment the Directors have assumed a prudent conversion rate of circa 30%. For years four and five, a growth rate of 3% per annum (2022: 3%) is assumed. The forecast does not include a terminal value.

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: 11.74% per annum (2022: 13.78% per annum); post-tax rate 10.85% (2022: 12.02%)

Software CGU: 12.87% per annum (2022: 16.51% per annum); post-tax rate 10.85% (2022: 12.02%)

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 £0.6 million without considering terminal values and Software headroom of £2.9 million when 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 2023 or 31 December 2022. 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. The Directors have conducted their review using best estimates, including the quantum and timing of pipeline conversion. For further detail regarding the sensitivities of these estimates please refer to the Going Concern note on pages 64 to 67.

16. OTHER INTANGIBLE ASSETS

	SOFTWARE	DEVELOPMENT COSTS	CUSTOMER LISTS AND CONTRACTS	TOTAL
	£'000	£'000	£'000	£'000
COST				
AT 1 JANUARY 2022	348	8,992	-	9,340
CURRENCY TRANSLATION	-	20	-	20
RECLASSIFICATIONS	240	(240)	-	-
ADDITIONS	11	1,139	-	1,150
DISPOSALS	(50)	-	-	(50)
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 31 DECEMBER 2023	**537**	**11,315**	**536**	**12,388**
AMORTISATION				
AT 1 JANUARY 2022	317	3,942	-	4,259
CURRENCY TRANSLATION	2	1	-	3
RECLASSIFICATIONS	240	(240)	-	-
CHARGE FOR THE YEAR	22	1,536	-	1,588
DISPOSALS	(50)	-	-	(50)
AT 1 JANUARY 2023	531	5,239	-	5770
CURRENCY TRANSLATION	-	(7)	-	(7)
CHARGE FOR THE YEAR	10	1,240	80	1,330
DISPOSALS	(40)	-	-	(40)
AT 31 DECEMBER 2023	**501**	**6,472**	**80**	**7,053**
CARRYING AMOUNT				
AT 31 DECEMBER 2023	**36**	**4,843**	**456**	**5,335**
AT 31 DECEMBER 2022	18	4,672	-	4,690

During 2023 the Group capitalised £1,425k (2022: £1,139k) of costs in relation to the ongoing development of the GenS software solution along with enhancements to existing software related assets.

An impairment review was performed and as at the 31 December 2023 no indicators of impairment were identified.

17. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS £'000	FIXTURES AND EQUIPMENT £'000	MOTOR VEHICLES £'000	TOTAL £'000
COST / VALUATION				
AT 1 JANUARY 2022	4,778	4,248	39	9,065
CURRENCY TRANSLATION	-	7	1	8
ADDITIONS	-	63	-	63
DISPOSALS	(1,683)	(810)	(26)	(2,519)
AT 1 JANUARY 2023	3,095	3,508	14	6,617
CURRENCY TRANSLATION	-	(11)	(0)	(11)
ADDITIONS	-	276	29	305
ACQUISITION OF TAP (NOTE 34)	-	2	-	2
REVALUATION	5	-	-	5
DISPOSALS	-	(105)	(7)	(112)
AT 31 DECEMBER 2023	**3,100**	**3,670**	**36**	**6,806**
DEPRECIATION				
AT 1 JANUARY 2022	-	3,030	26	3,056
CURRENCY TRANSLATION	-	7	-	7
REVALUATION	-	-	-	-
DISPOSALS	(24)	(779)	(18)	(821)
CHARGE FOR YEAR	97	270	6	373
AT 1 JANUARY 2023	73	2,528	14	2,615
CURRENCY TRANSLATION	-	(11)	(0)	(11)
REVALUATION	(146)	-	-	(146)
DISPOSALS	-	(105)	(7)	(112)
CHARGE FOR THE YEAR	73	228	4	305
AT 31 DECEMBER 2023	**-**	**2,640**	**11**	**2,651**
CARRYING AMOUNT				
AT 31 DECEMBER 2023	**3,100**	**1,030**	**25**	**4,155**
AT 31 DECEMBER 2022	3,022	980	-	4,002

Land and buildings were formally valued in November 2023 at £3.1 million by Eddisons (incorporating Andrew Forbes Limited) who are independent valuers not connected with the Group, on the basis of market value. The revaluation resulted in a total gain of £152k with no assets requiring impairment.

The revaluation has resulted in the partial reversal of an impairment charge made in 2019, resulting in a credit to the income statement of £39k. The balance of the revaluation gain of £113k has been credited to the revaluation reserve as shown in the consolidated income statement on page 58. Deferred tax of £28k has also been provided in respect of the gain taken to the revaluation reserve.

In 2022 the Group sold its freehold property at Pennant Court, Staverton Technology Park, Cheltenham which was surplus to requirements. The sale proceeds were £2.1 million which resulted in a profit on disposal after selling costs of £374k, as shown in the consolidated income statement on page 58. As result of the sale the revaluation reserve balance of £744k relating to the disposed property and its associated deferred tax liability of £248k were transferred to retained earnings.

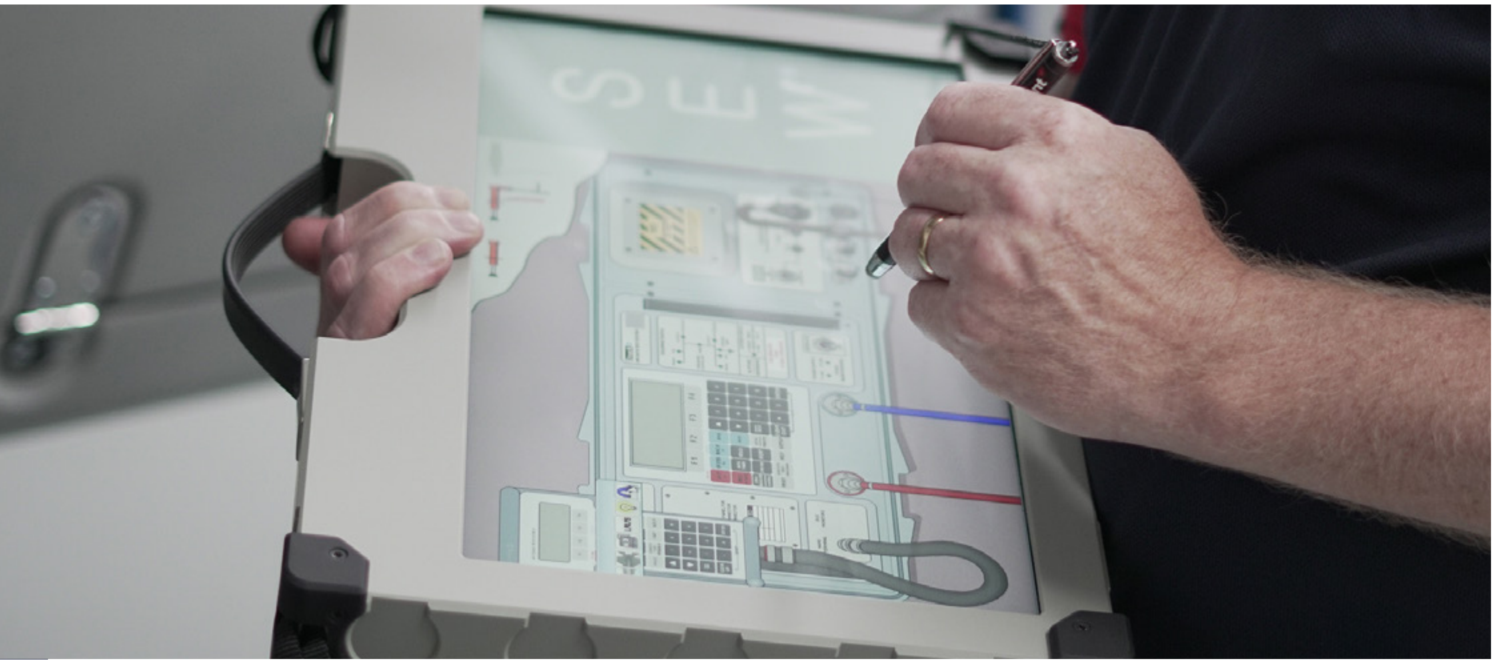
Following the sale of Pennant Court as described in the paragraph above, an independent valuation of the remaining land and buildings was carried out in 2022. This supported the carrying values within the 2022 financial statements and no revaluation gain or loss was recognised during the 2022 period.

The valuations carried out in the current and in prior years conform to International Valuation Standards and were based on recent market transactions on arm's lengths terms and rental yields for similar properties. The property valuation has been reviewed by the Directors and adopted into the Financial Statements but carries estimation uncertainty due to the potential volatility of the property market from time to time. However, a 2.5% increase or decrease in the property valuation would be immaterial to the financial statements.

At 31 December 2023, had the remaining land and buildings of the Group been carried at historical cost less accumulated depreciation and impairment losses their carrying amount would have been £3.0 million (2022: £3.1 million).

The revaluation surplus is disclosed in the Statement of Changes in Equity. The revaluation surplus arises in a subsidiary and cannot be distributed to the parent due to legal restrictions in the country of incorporation.

All of the Group's properties are categorised as Level 3 in the fair value hierarchy as defined by IFRS 13 Fair Value Management. For the valuation of the property, the independent valuers used a Market Approach (Comparable Method) and an assumption of vacant possession which is standard industry practice. See note 25 regarding the securities associated with these assets.



18. RIGHT-OF-USE ASSETS

	PROPERTY £'000	MOTOR VEHICLES £'000	TOTAL £'000
VALUATION			
AT 1 JANUARY 2022	573	88	661
CURRENCY TRANSLATION	(2)	-	(2)
ADDITIONS	-	57	57
TERMINATION OF LEASE	(24)	(6)	(30)
DEPRECIATION	(137)	(46)	(183)
AT 1 JANUARY 2023	410	93	503
CURRENCY TRANSLATION	(1)	-	(1)
ADDITIONS	410	148	558
DEPRECIATION	(149)	(51)	(200)
AT 31 DECEMBER 2023	**670**	**190**	**860**

19. INVENTORIES

	2023 £'000	2022 £'000
RAW MATERIALS AND CONSUMABLES	936	905
WORK IN PROGRESS	44	96
	980	1,001

£1,085k (2022: £905k) of inventories have been recognised as an expense in the consolidated income statement.

20. TRADE AND OTHER RECEIVABLES

	2023 £'000	2022 £'000
TRADE RECEIVABLES	1,476	2,036
CONTRACT ASSETS	714	1,333
OTHER RECEIVABLES	17	26
PREPAYMENTS	440	734
	2,647	4,129

No receivables have been written off as uncollectible during the year (2022: £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 decreased as a result of the stage of completion of engineered solutions contracts relative to the billing milestones which become due in the following period.

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

21. TRADE AND OTHER PAYABLES

	2023	2022
	£'000	£'000
CONTRACT LIABILITIES	1,687	2,949
TRADE PAYABLES	621	771
TAXES AND SOCIAL SECURITY COSTS*	611	1,161
OTHER CREDITORS AND ACCRUALS	1,180	981
	4,099	5,862

*Included in Taxes and Social security costs in 2022 was £327k relating to deferred 2021 and 2022 PAYE payments due to HMRC. These outstanding amounts were settled by April 2023 in accordance with agreed terms with HMRC.

Contract liabilities have decreased as a result of stage of completion on engineered solutions contracts.

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

22. CASH AND CASH EQUIVALENTS

	2023	2022
	£'000	£'000
CASH AT BANK	1,086	1,093
PETTY CASH	13	14
	1,099	1,107
BANK OVERDRAFT	(2,978)	(1,533)
BALANCE AS PER STATEMENT OF CASH FLOWS	**(1,879)**	(426)

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.

23. LEASE LIABILITIES

	PROPERTY	MOTOR VEHICLES	TOTAL
	£'000	£'000	£'000
VALUATION			
AT 1 JANUARY 2022	644	94	738
CURRENCY TRANSLATION	3	-	3
ADDITIONS	-	57	57
TERMINATION OF LEASE	(26)	(6)	(32)
INTEREST EXPENSE (PRESENTED AS OPERATING CASH FLOW)	50	6	56
REPAYMENTS (PRINCIPAL AND INTEREST)	(204)	(59)	(263)
AT 1 JANUARY 2023	467	92	559
CURRENCY TRANSLATION	(1)	-	(1)
ADDITIONS	410	148	558
INTEREST EXPENSE (PRESENTED AS OPERATING CASH FLOW)	68	11	79
REPAYMENTS (PRINCIPAL AND INTEREST)	(205)	(69)	(274)
AT 31 DECEMBER 2023	**739**	**182**	**921**
CURRENT	363	57	420
NON-CURRENT	376	125	501

Included in the movement in lease liabilities are repayments of lease liabilities totalling £274k (2022: £263k). 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 29. All other movements are considered to be non-cash changes.

In 2023 short-term lease rentals expensed amounted to £16k (2022: £13k). The total cash outflow in respect of leases (right-of-use and short-term expensed rentals) was £290k (2022: £276k).

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:	2023	2022
	£'000	£'000
WITHIN 1 YEAR	448	219
IN 2-5 YEARS	555	557
AFTER 5 YEARS	159	-
	1,162	776
FINANCE CHARGES	(241)	(217)
NET PRESENT VALUE	**921**	559

24. DEFERRED AND CONTINGENT CONSIDERATION

CARRYING AMOUNT:	£'000
AT 1 JANUARY 2022	1,221
CURRENCY TRANSLATION	58
REPAYMENT	(497)
MOVEMENT IN DISCOUNT APPLIED TO FUTURE REPAYMENTS	97
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 31 DECEMBER 2023	**751**
DEFERRED CONSIDERATION (CURRENT)	468
CONTINGENT CONSIDERATION (NON-CURRENT)	283
	751

The deferred and contingent consideration comprise the remaining amounts expected to be paid in the financial years 2024 and 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.

As described at note 34, Pennant acquired the entire issued share capital of Track Access Productions Limited (“TAP”) on 12 April 2023. The total consideration for the purchase was £971k which included a payment of £176k deferred until April 2024. After discounting, the TAP deferred consideration has been included in the table above at a value of £155k.

25. BORROWINGS

The Group has available bank overdraft facilities of £3 million that renew annually (2022: £3 million). In order to support working capital requirements due to the net contract asset position on software services contracts at the year end, the bank overdraft has been temporarily increased as at 31 December 2023 to £4 million. The extension expired on 02 January 2024 at which point the facility reverted to £3 million. The facility has also been extended to £4 million from April 2024 until the end of June 2024 at which point it will revert to £3 million.

Any overdraft arising from the facility is repayable on demand and carries interest at 2.50% (2022: 2.75%) 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.

26. DEFERRED TAX

	ACCELERATED TAX DEPRECIATION	OTHER TEMPORARY DIFFERENCES	INTANGIBLE ASSETS	TAX LOSSES	TOTAL
	£'000	£'000	£'000	£'000	£'000
AT 1 JANUARY 2022	(1,554)	734	-	1,670	850
(CHARGE)/CREDIT TO INCOME	(7)	(35)	-	419	377
CREDIT TO OCI	248	-	-	-	248
EXCHANGE DIFFERENCES	1	21	-	-	22
AT 1 JANUARY 2023	(1,312)	720	-	2,089	1,497
(CHARGE)/CREDIT TO INCOME	(49)	(155)	-	(715)	(919)
(CHARGE)/CREDIT TO OCI	(28)	-	-	-	(28)
EXCHANGE DIFFERENCES	-	(17)	-	-	(17)
ACQUISITION ENTRY	-	-	(134)	-	(134)
AT 31 DECEMBER 2023	**(1,389)**	**548**	**(134)**	**1,374**	**399**

The main rate of United Kingdom (UK) corporation tax increased from 19% to 25% with effect from 1 April 2023. 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 £6.8 million (2022: £7.1 million) which are expected to be available for set-off against future profits arising in the UK. Unused tax losses of £1.3m have not been recognised within the deferred tax asset above, as further described at note 4 on page 72.

27. WARRANTY PROVISIONS

	2023	2022
	£'000	£'000
WARRANTY PROVISIONS AS AT 1 JANUARY	107	122
ADDITIONAL WARRANTIES ACCRUED	42	26
WARRANTY PROVISIONS RELEASED	(5)	(41)
WARRANTY PROVISIONS AS AT 31 DECEMBER	144	107

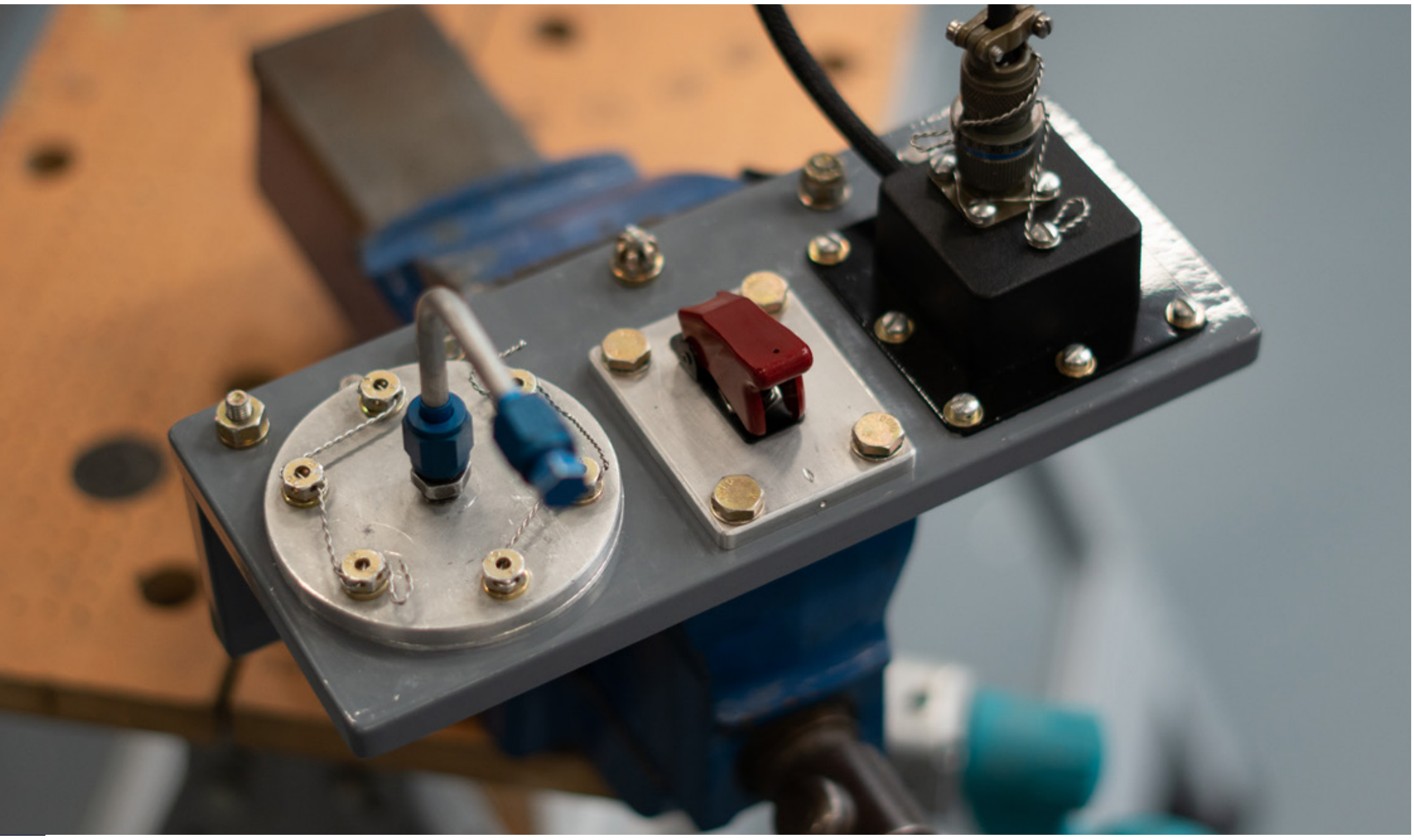
During 2023, the warranty provisions balance has increased due to the recognition over time of a warranty obligation on a programme which is to be delivered in 2024.

28. SHARE CAPITAL

	2023 £'000	2022 £'000
AUTHORISED, ISSUED AND FULLY PAID		
36,882,438 ORDINARY SHARES OF 5P EACH (2022: 36,790,447)	1,844	1,840
	1,844	1,840

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

In July 2023 91,991 5p ordinary shares were issued at an average value of 23p per share for a total consideration of £21k in connection with the Group's employee SIP scheme.



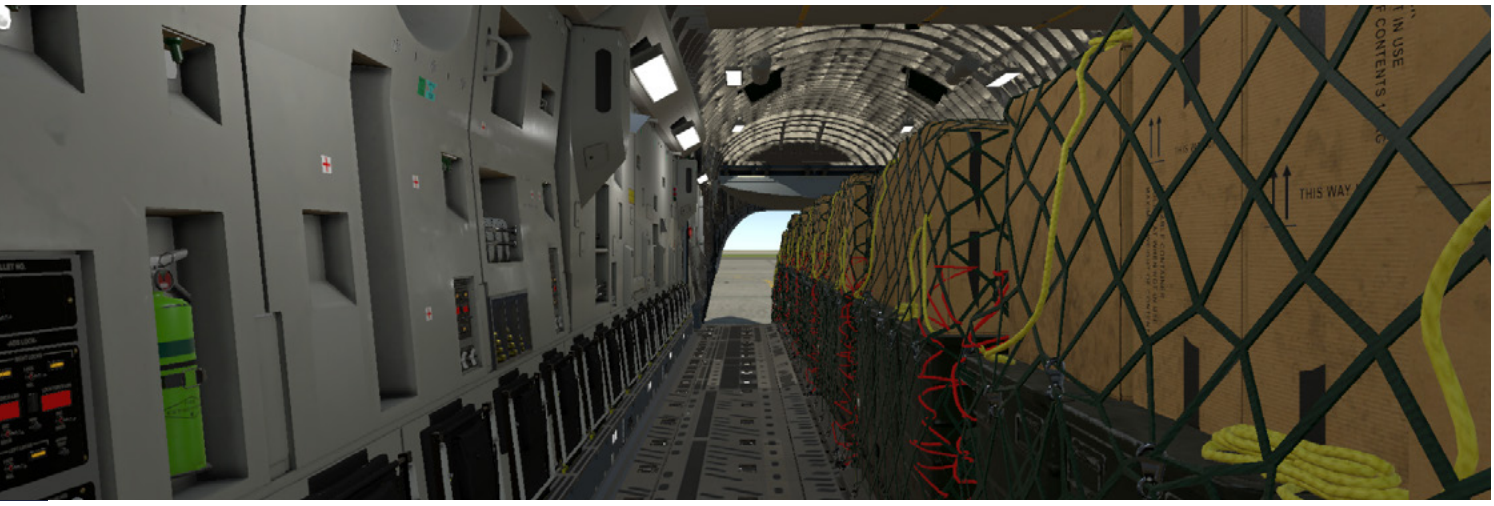
29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

CASH GENERATED FROM OPERATIONS

		2023	2022
	NOTES	£'000	£'000
LOSS FOR THE YEAR		(933)	(901)
FINANCE COSTS	10	463	377
FINANCE INCOME	11	(1)	(2)
INCOME TAX CHARGE/(CREDIT)	12	566	(464)
WITHHOLDING TAX		-	(2)
DEPRECIATION OF PROPERTY, PLANT & EQUIPMENT	17	305	373
DEPRECIATION OF RIGHT-OF-USE ASSETS	18	200	183
PROFIT ON DISPOSAL OF PROPERTY	17	-	(374)
AMORTISATION OF OTHER INTANGIBLE ASSETS	16	1,330	1,519
REVERSAL OF IMPAIRMENT ON LAND AND BUILDINGS VALUATION	17	(39)	-
OTHER INCOME – RDEC (R&D)		(205)	(113)
SHARE-BASED PAYMENT		69	29
OPERATING CASH FLOWS BEFORE MOVEMENT IN WORKING CAPITAL		1,755	625
DECREASE IN RECEIVABLES	19	1,482	398
DECREASE/(INCREASE) IN INVENTORIES	20	21	(136)
(DECREASE)/INCREASE IN PAYABLES AND PROVISIONS	21 / 27	(1,726)	2,252
CASH GENERATED FROM OPERATIONS		**1,532**	**3,139**
TAX RECEIVED/(PAID)		117	(306)
INTEREST PAID		(355)	(261)
NET CASH GENERATED FROM OPERATIONS		**1,294**	**2,572**

CHANGES IN FINANCING LIABILITIES:

	BANK OVERDRAFT	LEASE LIABILITIES (NOTE 23)	TOTAL FINANCING LIABILITIES
	£'000	£'000	£'000
AT 1 JANUARY 2022	**(3,540)**	**(738)**	**(4,278)**
CASH MOVEMENTS:			
CHANGE IN CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT	2,748	-	2,748
LEASE REPAYMENTS (PRINCIPAL AND INTEREST)	-	263	263
NON-CASH MOVEMENTS:			
EFFECT OF FOREIGN EXCHANGE RATES	366	(3)	363
LEASE ADDITIONS	-	(57)	(57)
LEASE TERMINATIONS	-	32	32
INTEREST ADDED TO LIABILITY	-	(56)	(56)
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 31 DECEMBER 2023	**(1,879)**	**(921)**	**(2,800)**



30. 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 2022 are subject to market conditions as outlined in the remuneration report on pages 34 to 37. Details of the share options outstanding during the year are as follows:

OPTIONS GRANTED UNDER THE SCHEME

	2023		2022	
	NUMBER OF SHARE OPTIONS	**WEIGHTED AVERAGE EXERCISE PRICE**	**NUMBER OF SHARE OPTIONS**	**WEIGHTED AVERAGE EXERCISE PRICE**
OUTSTANDING AT 1 JANUARY	1,530,000	48.16P	1,173,074	78.56P
GRANTED DURING THE YEAR	130,000	31.50P	1,040,000	33.15P
EXERCISED DURING THE YEAR	-	-	-	-
LAPSED DURING THE YEAR	(80,000)	35.30P	(80,000)	36.88P
SURRENDERED DURING THE YEAR	-	-	(603,074)	82.91P
OUTSTANDING AT 31 DECEMBER	**1,580,000**	**47.42P**	1,530,000	48.16P
EXERCISABLE AT 31 DECEMBER	**420,000**	**87.53P**	340,000	99.21P

The 130,000 options granted in the period were all granted to employees of the Group. Of the 1,040,000 share options granted in 2022, 240,000 were granted to employees of the Group and 800,000 were granted to Executive Directors. The Executive Directors also surrendered 603,074 approved options during 2022. The options held by Executive Directors are detailed in the remuneration report on pages 34 to 37.

The option prices for the outstanding share options are:

	2023	2022
30 – 50P	1,240,000	1,190,000
51 – 80P	70,000	70,000
81 – 100P	140,000	140,000
101 – 135P	130,000	130,000

The fair value of the options granted during the year under the Scheme is £23k. The weighted average fair value is 18p.

The options outstanding at 31 December 2023 had a weighted average remaining contractual life of 3.89 years (2022: 4.64 years).

UNAPPROVED OPTIONS

	2023		2022	
	NUMBER OF SHARE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
OUTSTANDING AT 1 JANUARY	-	-	525,969	55.00P
EXERCISED DURING THE YEAR	-	-	-	-
SURRENDERED DURING THE YEAR	-	-	(525,969)	55.00P
OUTSTANDING AT 31 DECEMBER	**-**	**-**	**-**	**-**
EXERCISABLE AT 31 DECEMBER	**-**	**-**	**-**	**-**

As part of the surrender and regrant of options to Executive Directors in 2022, Mr Walker surrendered 525,969 unapproved options. There are no unapproved options held at 31 December 2023.

The Group recognised total expenses related to equity-settled share-based payment transactions of £69k (2022: £29k). 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 to staff in 2023 with the following inputs:

- Share price at date of grant: 31.50p (2022: 32.00p)
- Exercise price: 31.50p (2022: 32.00p)
- Expected volatility (based on historic volatility): 39.40% (2022: 40.45%)
- Risk free rate: 3.420% (2022: 1.088%)
- Expected dividend yield: 0.0% (2022: 0.0%)
- Option life: 10 years (2022: 10 years)
- Vesting period: 3 years (2022: 3 years)

The options granted to the Executive Directors in November 2022 are subject to market based vesting conditions. Mr Walker holds 500,000 EMI options and Mr Clements holds 300,000 EMI options all exercisable at 33.5p (granted on 8 November 2022) which vest 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. The options lapse upon the occurrence of certain events, including the termination of employment.

In order to calculate the fair value of these options, a Monte Carlo model was used with the following inputs:

- Share price at date of grant: 33.50p
- Exercise price: 33.50p
- Expected volatility (based on historic volatility): 40.45%
- Risk free rate: 3.448%
- Expected dividend yield: 0.0%
- Option life: 3 years
- Vesting period: 2 years

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.

31. 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.

	2023	2022
	£'000	£'000
CONTRIBUTIONS PAYABLE BY THE GROUP FOR THE YEAR	341	309

32. FINANCIAL INSTRUMENTS

32.1 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 and equity comprising issued share capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

32.2 CATEGORIES OF FINANCIAL INSTRUMENTS

	2023 £'000	2022 £'000
FINANCIAL ASSETS		
MEASURED AT AMORTISED COST		
TRADE RECEIVABLES	1,476	2,036
CONTRACT ASSETS	714	1,333
OTHER RECEIVABLES	17	26
CASH AND CASH EQUIVALENTS	1,099	1,107
	3,306	4,502
FINANCIAL LIABILITIES		
MEASURED AT AMORTISED COST		
CONTRACT LIABILITIES	1,687	2,949
TRADE PAYABLES	621	771
OTHER CREDITORS	146	107
BANK OVERDRAFT	2,978	1,533
LEASE LIABILITIES	1,162	776
DEFERRED CONSIDERATION ON ACQUISITION	468	327
	7,062	6,463

32.3 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	1,687	-	-	1,687
TRADE PAYABLES	621	-	-	621
OTHER CREDITORS	146	-	-	146
BANK OVERDRAFT*	2,978	-	-	2,978
LEASE LIABILITIES	263	374	525	1,162
DEFERRED CONSIDERATION ON ACQUISITION	468	-	-	468
	6,163	**374**	**525**	**7,062**

* 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.

32.4 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.

32.5 FOREIGN CURRENCY RISK

The Group operates internationally, which gives rise to financial exposure from changes in foreign exchange rates. At 31 December 2023 and 31 December 2022, 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	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
CANADIAN $	189	176	886	774
AMERICAN $	35	31	154	395
AUSTRALIAN $	1,122	1,197	628	758
TOTAL	1,346	1,404	1,668	1,927

The following table details the Group's sensitivity to a 5% increase 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	
	2023	2022
	£'000	£'000
CANADIAN $	(33)	(28)
AMERICAN $	(6)	(17)
AUSTRALIAN $	24	21

32.6 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 2023 and 31 December 2022 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.

32.7 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 £1,879k (2022: £426k) and net undrawn facilities of £2,121k (2022: £3,574k) against the temporarily increased overdraft facility of £4.0 million (2022: £4.0 million). The level of the Group's overdraft facility is reviewed annually and has been renewed at £3 million as of April 2024.

The Group's financial obligations consist of trade and other payables and obligations under leases which are set out in notes 22 and 23 respectively.

Trade and other payables are all payable within three months.

32.8 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% (2022: 2.75%) over base rate. A 1% rise/fall in interest rates would have decreased/increased profit for the year by an immaterial amount (2022: immaterial).

33. 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 (2022: £Nil) were paid in the year in respect of ordinary shares in which the Company's Directors had a beneficial interest.

34. BUSINESS COMBINATIONS

BUSINESS COMBINATIONS 2023

On 12 April 2023, Pennant acquired the entire issued share capital of Track Access Productions Limited ("TAP").

TAP is a UK business, incorporated in 2001 and based in Bedfordshire, which provides driver training, route mapping and route familiarisation services to the UK rail industry. Its clients comprise train operating companies, freight operating companies, engineering prime contractors and infrastructure providers. TAP has two key revenue streams: a subscription-based web portal through which its clients can access training content, and project-specific route mapping work.

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 ("Cash Free, Debt Free Adjustment"). The acquisition has been funded from the Group's existing cash resources.

PURCHASE CONSIDERATION TRACK ACCESS PRODUCTIONS LTD	£'000
CASH PAID	795
DEFERRED CASH CONSIDERATION	176
TOTAL CONSIDERATION BEFORE DISCOUNTING OF DEFERRED CONSIDERATION	**971**
LESS DISCOUNTING APPLIED TO DEFERRED CONSIDERATION	(21)
TOTAL CONSIDERATION AFTER DISCOUNTING OF DEFERRED CONSIDERATION	**950**

The accounting treatment for the business combination is summarised below:

ASSETS AND LIABILITIES RECOGNISED AS A RESULT OF THE ACQUISITION:

	ASSETS	LIABILITIES	FAIR VALUE	TOTAL
	£'000	£'000	£'000	£'000
INTANGIBLE ASSETS*	-	-	536	536
PLANT AND EQUIPMENT	2	-	-	2
INVENTORIES	3	-	-	3
TRADE AND OTHER RECEIVABLES	158	-	-	158
CASH AT BANK	581	-	-	581
TRADE AND OTHER PAYABLES	-	(350)	-	(350)
CORPORATION TAX RECOVERABLE	4	-	-	4
DEFERRED TAX	-	-	(134)	(134)
NET IDENTIFIABLE ASSETS ACQUIRED	**748**	**(350)**	**402**	**800**
GOODWILL RECOGNISED ON ACQUISITION				150
PURCHASE CONSIDERATION				**950**

*comprising customer contracts and ongoing relationships. To be amortised on a straight-line basis over 5 years.

Factors that lead to the recognition of goodwill include the non-recognition of certain software intangible assets (internally-generated or otherwise) and synergies to be gained from the planned merger of TAP and the Group's existing rail business Track Access Services (TAS, a division of Pennant International Limited) into a single operating rail entity. The goodwill recognized will not be tax deductible.

PURCHASE CONSIDERATION NET CASH OUTFLOW	£'000
CASH PAID	795
LESS CASH ACQUIRED	(581)
	214

The acquisition was in the Group's best interests because TAP's business aligns closely with Pennant's existing Track Access Services (TAS) business unit and the acquisition will enhance the Group's presence in the UK rail market. The combined TAS and TAP rail unit generated revenues in 2023 of £809k. At the acquisition date all trade receivables were expected to be collected and so the fair value is considered to be the book value of the debts acquired.

For the period from the date of acquisition on 12 April 2023 to 31 December 2023 the acquisition delivered revenues of £342k and profits before tax of £155k, excluding management charges from the Company of £68k. For the full 2023 calendar year it is estimated that on a time-apportioned basis TAP's revenue for the year to 31 December 2023 was £472k and its profit before tax was £214k, excluding management charges from the Company of £94k.

BUSINESS COMBINATIONS 2022

The Group did not enter into any business combinations in 2022.

35. 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)

36. POST BALANCE SHEET EVENTS

1. 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 £210k and the property was immediately sold on the same date for £465k. After agent and legal fees, the group realised a profit of £231k.

2. As announced to the London Stock Exchange on 24 May 2024, the Company utilised its preapproved authority from the 2023 AGM to raise funds equivalent to a maximum of 15% of its share capital. The primary use of the funds raised will be to integrate the existing Pennant software suite with the release due in the fourth quarter of 2024.

The composition of the fund raising is shown in the table below:

	NUMBER	ISSUE PRICE	FUNDS RAISED (£)
PLACING SHARES	3,831,767	25P	957,942
SUBSCRIPTION SHARES	1,600,600	25P	400,000
TOTAL	**5,431,767**		**1,357,942**
LESS FEES			(161,442)
NET AMOUNT RAISED			**(1,196,500)**

In addition the Directors have confirmed their intention to subscribe for a further £200,000 of ordinary shares following the publication of these financial statements.

Following the admission of the placing and subscription shares, the Company expects to have 42,314,205 ordinary shares in issue. The new ordinary shares are fully paid and rank pari passu in all respects with the existing ordinary shares, including the right to receive all dividends and other distributions declared, made or paid after the date of issue.

COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	2023 £'000	2022 £'000
CONTINUING OPERATIONS			
MANAGEMENT CHARGES AND LICENCE FEES RECEIVABLE		3,171	2,626
ADMINISTRATIVE EXPENSES		(3,967)	(3,820)
OPERATING LOSS		**(796)**	(1,194)
FINANCE COSTS	4	63)	(52)
FINANCE INCOME	5	-	70
LOSS BEFORE TAX		**(859)**	(1,176)
TAXATION	6	242	240
LOSS AFTER TAX		(617)	(936)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO EQUITY HOLDERS		**(617)**	(936)

	NOTES	2023 £'000	2022 £'000
NON-CURRENT ASSETS			
INVESTMENT IN SUBSIDIARIES	7	6,763	6,763
OTHER INTANGIBLE ASSETS	8	5,608	5,420
RIGHT OF USE ASSETS	9	47	25
TOTAL NON-CURRENT ASSETS		**12,418**	12,208
CURRENT ASSETS			
TRADE AND OTHER RECEIVABLES	10	43	196
AMOUNTS DUE FROM SUBSIDIARIES		3,365	2,373
CORPORATION TAX RECOVERABLE		137	49
TOTAL CURRENT ASSETS		**3,545**	2,618
TOTAL ASSETS		**15,963**	14,826
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	11	369	416
BANK OVERDRAFT	12	562	1,237
AMOUNTS DUE TO SUBSIDIARIES		6,729	4,387
CURRENT TAX LIABILITIES		-	-
LEASE LIABILITIES	13	17	18
TOTAL CURRENT LIABILITIES		**7,677**	6,058
NET CURRENT LIABILITIES		**(4,132)**	(3,440)
NON-CURRENT LIABILITIES			
LEASE LIABILITIES	13	28	9
DEFERRED TAX LIABILITY	14	616	590
TOTAL LIABILITIES		**8,321**	6,657
NET ASSETS		**7,642**	8,169
EQUITY			
SHARE CAPITAL	15	1,844	1,840
SHARE PREMIUM ACCOUNT		5,383	5,366
CAPITAL REDEMPTION RESERVE		200	200
RETAINED EARNINGS		215	763
TOTAL EQUITY		**7,642**	8,169

Approved by the Board and authorised for issue on 20 June 2024.

M J Brinson, Director

The accompanying notes on pages 106 to 115 are an integral part of these financial statements.

	SHARE CAPITAL	SHARE PREMIUM	CAPITAL REDEMPTION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	£'000	£'000	£'000	£'000	£'000
AT 1 JANUARY 2022	1,832	5,345	200	1,672	9,049
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	-	-	(936)	(936)
ISSUE OF NEW ORDINARY SHARES	8	21	-	(2)	27
RECOGNITION OF SHARE-BASED PAYMENT	-	-	-	29	29
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 31 DECEMBER 2023	1,844	5,383	200	215	7,642

Note: see page 62 for a description of the reserves appearing in the column headings of the table above.

	NOTES	2023	2022
		£	£
NET CASH FROM OPERATIONS	16	**679**	**(781)**
FINANCING ACTIVITIES			
PROCEEDS FROM ISSUE OF ORDINARY SHARES	15	21	27
LEASE REPAYMENTS	13	(25)	(27)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**(4)**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**675**	**(781)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(1,237)	(456)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**(562)**	**(1,237)**

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 except as noted below:

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

2. OPERATING LOSS

The operating loss is stated after amortisation of other intangible assets acquired in the year of £1,362k (2022: £1,395k) 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 9 to the consolidated financial statements.

3. STAFF COSTS

	2023	2022
THE AGGREGATE REMUNERATION COMPRISED:	**£'000**	£'000
WAGES AND SALARIES	1,416	1,259
SOCIAL SECURITY COSTS	164	133
OTHER PENSION COSTS	92	79
	1,672	1,471

The average number of persons, including Executive Directors employed by the Company during the year was 5 (2022: 5).

4. FINANCE COSTS

	2023	2022
	£'000	£'000
INTEREST EXPENSE	63	52

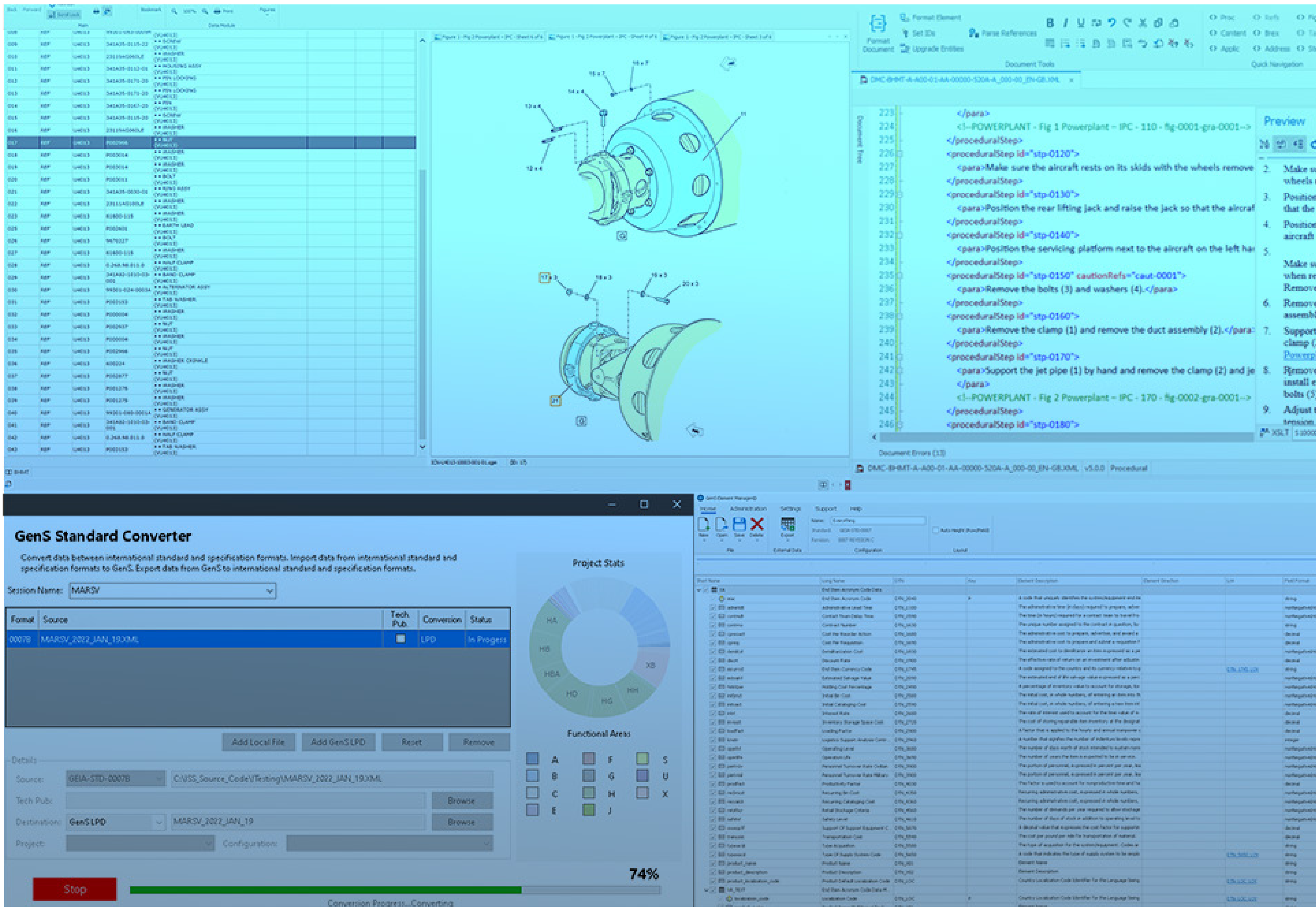
5. FINANCE INCOME

	2023	2022
	£'000	£'000
OTHER INTEREST RECEIVABLE	-	70

6. TAXATION

	2023	2022
	£'000	£'000
CURRENT TAX CREDIT	268	178
DEFERRED TAX (CHARGE) / CREDIT	(26)	62
TAX CREDIT FOR THE YEAR	**242**	240

RECONCILIATION OF EFFECTIVE TAX RATE		
LOSS BEFORE TAX	**(859)**	(1,176)
TAX AT APPLICABLE RATE 23.52% (2022: 19.00%)	202	223
EFFECT OF EXPENSES THAT ARE NOT DEDUCTIBLE FOR TAX	(61)	-
EFFECT OF OTHER TRANSFERS AND ADJUSTMENTS	(30)	114
EFFECT OF ADJUSTMENTS FOR PRIOR YEARS	131	(97)
TOTAL TAX CHARGE	**242**	240



7. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2023 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

	£'000
COST OF INVESTMENT – BEGINNING OF YEAR	6,763
ADDITIONS	-
DISPOSALS	-
COST OF INVESTMENT – END OF YEAR	6,763
IMPAIRMENT – BEGINNING OF THE YEAR	-
DISPOSALS	-
IMPAIRMENT – END OF YEAR	-
NET COST OF INVESTMENT – END OF YEAR	**6,763**
NET COST OF INVESTMENT – BEGINNING OF YEAR	6,763

8. OTHER INTANGIBLE ASSETS

	DEVELOPMENT COSTS £'000
COST	
AT 1 JANUARY 2023	7,595
ADDITIONS	1,550
AT 31 DECEMBER 2023	**9,145**
AMORTISATION	
AT 1 JANUARY 2023	2,175
CHARGE FOR THE YEAR	1,362
AT 31 DECEMBER 2023	**3,537**
CARRYING AMOUNT	
AT 31 DECEMBER 2023	**5,608**
AT 31 DECEMBER 2022	5,420

Additions in the year relate to product development services carried out on behalf of the company by its operating subsidiaries. An impairment review was performed and as at the 31 December 2023 no indicators of impairment were identified.

9. RIGHT-OF-USE ASSETS

	MOTOR VEHICLES £'000
VALUATION	
AT 1 JANUARY 2022	56
ADDITIONS	-
TERMINATION OF LEASE	(6)
DEPRECIATION	(25)
AT 1 JANUARY 2023	25
ADDITIONS	41
TERMINATION OF LEASE	-
DEPRECIATION	(19)
AT 31 DECEMBER 2023	**47**

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 25 to the consolidated financial statements.

13. LEASE LIABILITIES

	MOTOR VEHICLES £'000
VALUATION	
AT 1 JANUARY 2022	56
TERMINATION OF LEASE	(6)
INTEREST EXPENSE (PRESENTED AS OPERATING CASH FLOW)	4
REPAYMENTS (PRINCIPAL AND INTEREST)	(27)
AT 1 JANUARY 2023	27
ADDITIONS	41
INTEREST EXPENSE (PRESENTED AS OPERATING CASH FLOW)	2
REPAYMENTS (PRINCIPAL AND INTEREST)	(25)
AT 31 DECEMBER 2023	**45**
CURRENT	17
NON-CURRENT	28

In 2023 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	**2023 £'000**	2022 £'000
WITHIN 1 YEAR	21	20
IN 2-5 YEARS	33	9
	54	29
FINANCE CHARGES	(9)	(2)
NET PRESENT VALUE	**45**	27

14. DEFERRED TAX

	ACCELERATED TAX DEPRECIATION	TAX LOSSES	TOTAL
	£'000	£'000	£'000
AT 1 JANUARY 2022	(664)	12	(652)
CREDIT/(CHARGE) TO INCOME	(55)	117	62
AT 1 JANUARY 2023	(719)	129	(590)
(CHARGE)/CREDIT TO INCOME	(50)	24	(26)
AT 31 DECEMBER 2023	**(769)**	**153**	**(616)**

15. SHARE CAPITAL

Details are set out in note 28 to the consolidated financial statements.

16. NOTE TO STATEMENT OF CASH FLOWS

CASH GENERATED FROM OPERATIONS:

	2023	2022
	£'000	£'000
LOSS FOR THE YEAR	(617)	(936)
NET FINANCE COSTS / (INCOME)	63	(18)
AMORTISATION	1,362	1,395
DEPRECIATION CHARGE – RIGHT-OF-USE ASSET	19	24
LOSS ON DISPOSAL OF RIGHT-OF-USE ASSET	-	6
INCOME TAX CREDIT	(242)	(240)
SHARE-BASED PAYMENT	69	29
OPERATING CASH FLOWS BEFORE MOVEMENT IN WORKING CAPITAL	654	260
(INCREASE)/DECREASE IN RECEIVABLES	(1,725)	(189)
DECREASE/(INCREASE) IN PAYABLES	1,633	(999)
CASH GENERATED FROM/(USED IN) OPERATIONS	562	(928)
TAX PAID / (RECEIVED)	180	129
INTEREST PAID	(63)	18
NET CASH GENERATED FROM OPERATIONS	**679**	(781)

CHANGES IN FINANCING LIABILITIES:

	BANK OVERDRAFT	LEASE LIABILITIES (NOTE 13)	TOTAL FINANCING LIABILITIES
	£'000	£'000	£'000
AT 1 JANUARY 2022	**(456)**	**(56)**	**(512)**
CASH MOVEMENTS:			
CHANGE IN CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT	(781)	-	(781)
LEASE REPAYMENTS (PRINCIPAL AND INTEREST)	-	27	27
NON-CASH MOVEMENTS:			
LEASE TERMINATIONS	-	6	6
INTEREST ADDED TO LIABILITY	-	(4)	(4)
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 ADDITIONS	-	(41)	(41)
INTEREST ADDED TO LIABILITY	-	(2)	(2)
AT 31 JANUARY 2023	**(562)**	**(45)**	**(607)**

17. FINANCIAL INSTRUMENTS

The Company's approach to the management of capital and market risks is set out in note 32 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% (2022: 2.75%) over base rate. A 1% rise/fall in interest rates would have decreased/ increased profit for the year by an immaterial amount (2022: immaterial). The Company is not exposed to foreign currency risks.

CATEGORIES OF FINANCIAL INSTRUMENTS

	2023 £'000	2022 £'000
FINANCIAL ASSETS		
MEASURED AT AMORTISED COST		
TRADE AND OTHER RECEIVABLES	14	196
AMOUNTS DUE FROM SUBSIDIARIES	3,365	2,373
CASH AND CASH EQUIVALENTS	-	-
	3,379	2,569
FINANCIAL LIABILITIES		
MEASURED AT AMORTISED COST		
BANK OVERDRAFT	562	1,237
TRADE AND OTHER PAYABLES	113	81
AMOUNTS DUE TO SUBSIDIARIES	6,729	4,387
	7,404	5,705

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 (2022: £Nil).

19. RELATED PARTY TRANSACTIONS

Transactions with related parties consist of:

SALES TO SUBSIDIARY COMPANIES

MANAGEMENT AND LICENCE CHARGES	2023 £'000	2022 £'000
PENNANT INTERNATIONAL LIMITED	1,612	1,333
TRACK ACCESS PRODUCTIONS LIMITED	68	-
PENNANT CANADA LIMITED	739	718
PENNANT AUSTRALASIA PTY LIMITED	658	488
PENNANT AMERICA INC.	97	87
	3,174	2,626

PURCHASES FROM SUBSIDIARY COMPANIES

*PRODUCT DEVELOPMENT SERVICES**	**2023**	2022
	£'000	£'000
PENNANT INTERNATIONAL LIMITED	662	549
PENNANT CANADA LIMITED	272	233
PENNANT AUSTRALASIA PTY LIMITED	515	413
PENNANT AMERICA INC.	99	57
	1,548	1,252

*capitalised as other intangible assets

SALARIES AND OTHER EXPENSES SETTLED ON BEHALF OF THE COMPANY		
PENNANT INTERNATIONAL LIMITED	1,580	1,265

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

AMOUNTS DUE FROM SUBSIDIARIES	**2023**	2022
	£'000	£'000
PENNANT RAIL HOLDINGS LIMITED	1,789	1,385
PENNANT CANADA LIMITED	390	57
PENNANT AUSTRALASIA PTY LIMITED	1,011	743
PENNANT AMERICA INC.	175	188
	3,365	2,373

AMOUNTS DUE TO SUBSIDIARIES		
PENNANT INTERNATIONAL LIMITED	3,725	1,417
TRACK ACCESS PRODUCTIONS LIMITED	74	-
PENNANT INFORMATION SERVICES INC.	551	579
ABSOLUTE DATA GROUP PTY LIMITED	2,379	2,391
	6,729	4,387

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 – 17 July 2024

Expected announcement of results for the year ending 31 December 2024:

Half-year announcement - September 2024

Full-year preliminary announcement - April 2025

DAILY SHARE PRICE LISTINGS

The Financial Times - AIM

DIRECTORS	I Dighé (Chair) (appointed 7 February 2024) P H Walker FCA (Chief Executive Officer) D J Clements M J Brinson (appointed 1 January 2023) P Cotton D Wilkinson (appointed 1 February 2023)
SECRETARY	D J Clements
REGISTERED OFFICE	Unit D1 Staverton Connection Old Gloucester Road Cheltenham Gloucestershire GL51 0TF
COMPANY NUMBER	03187528
AUDITOR	Mazars LLP 90 Victoria Street Bristol BS1 6DP
BANKERS	Barclays Bank Plc Bridgewater House Finzels Reach Counterslip Bristol BS1 6BX HSBC UK Bank Plc 2 The Promenade Cheltenham GL50 1LR
NOMINATED ADVISER	W H Ireland Ltd 24 Martin Lane London EC4R 0DR
BROKER	Cavendish Capital Markets Limited One Bartholomew Close London EC1A 7BL

Pennant

ANNUAL REPORT & ACCOUNTS **2023**