Pennant

FOR IMMEDIATE RELEASE **20 April 2020**

PENNANT INTERNATIONAL GROUP PLC

Preliminary Results for the Year Ended 31 December 2019

A challenging year but grounds for optimism

Pennant International Group plc ("**Pennant**", the "**Group**", or the "**Company**"), the AIM quoted supplier of integrated training and support solutions, products and services which train and assist operators and maintainers in the defence and regulated civilian sectors, announces Preliminary Results for the Financial Year Ended 31 December 2019.

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

"2019 was a challenging year for Pennant. Delays to expected contract awards and a drawn-out re-basing of a key programme, all conspired to reduce activity levels, slow progress and place margins under increasing pressure.

During the year, the necessary steps were taken to mitigate these issues including implementation of a wide-ranging cost reduction and restructuring exercise.

Despite these challenges, the Group has continued to deliver its key services contracts and successfully achieved acceptance of products on the Qatar contract, recognising budgeted revenues and profits during the second half of the year.

The Group is posting a consolidated loss before tax of £1.62 million (2018: profit before tax £3.18 million) which is stated after significant non-underlying costs. Underlying earnings for 2019 before interest, tax and amortisation (EBITA) were £1.6m (2018: £.3.3m) and underlying EBITDA was £2.4m (2018: £3.7m)."

Financial Summary

- Group revenues of £20.4 million (2018: £21.1 million);
- Gross profit margin of 36% (2018: 39%)
- Loss before tax of £1.62 million (2018: profit before tax of £3.2 million);
- Underlying EBITA of £1.6 million (2018: £3.3 million);
- Loss for the year attributable to shareholders of £1.49 million (2018: profit of £3.15 million);
- Basic loss per share of 4.6p (2018: earnings of 9.49p);
- Unutilised UK tax losses of £2.8 million (2018: £5.3 million);
- Group net assets at year-end of £14.8 million (2018: £14.04 million);
- Net debt at year-end of £2.2 million (2018: net cash of £1.85 million);
- No final dividend recommended (2018: £NIL);
- Three-year order book at year-end stood at £33 million (2018: £37 million).

Operational Summary

Contracts

- The successful completion and customer acceptance, on or ahead of schedule, of various training devices for the Qatar contract, realising revenues of circa £7 million in the second half.

- The award by a UK OEM of a £3.4 million contract for the design and build of a helicopter training aid which will comprise a full-size representation of the relevant airframe to enable UK military training on 'anti-surface' weapons systems.

- Award of a new contract for the provision of additional training aids to the Middle East, including two new training solutions, worth circa £1.5 million, deliverable predominantly in 2020.

- Successful rescoping of the Group's key contract with General Dynamics for electromechanical trainers and computer-based training for the Ajax vehicle programme, with the contract value increased by £1.5 million to circa £13.5 million.

- Ongoing delivery of the key contract with the Canadian government, worth circa C$30 million over five years.

Investment and Innovation

- Acquisitions of Aviation Skills Partnership and Track Access Services, expanding routes into training in the civil aviation and rail sectors respectively, as part of the Group's diversification strategy.

- Completion of the development of eight new generic products (part of a development strategy commenced in 2018), all of which had secured orders by the end of 2019.

- Completion of capital investment in upgrades and refurbishments to a number of production facilities in readiness for new contract awards and the commencement of the build phase for the electromechanical trainers referred to above.

Management

The end of the period saw the promotion of Mervyn Skates to Operations Director, in recognition of his achievements in ensuring successful contract deliveries across the Technical Training business, a key step in readiness for the build phase of the electro-mechanical trainers and the expected award of the major programme.

On current trading and prospects, Mr Moore concluded:

"In light of the ongoing Covid-19 pandemic, the economic outlook across the globe remains highly uncertain. Much will depend on the stimulus packages that governments make available to support impacted businesses and the wider economy.

Indeed, the uncertainty caused by Covid-19 affects Pennant too. However, with a three-year contracted order book, valued at more than £33 million, the Board is confident that the Group's underlying strengths - our long-term customer relationships with governments and major OEMs, our specialist services and our quality-assured reputation - will continue to provide a solid foundation for our long-term success."

Enquiries:

Pennant International Group plc	www.pennantplc.co.uk
Philip Walker, CEO	+44 (0) 1452 714 914
David Clements, Commercial & Risk Director	
WH Ireland Limited	www.whirelandcb.com
Mike Coe	+44 (0) 207 220 1666
Walbrook PR (Financial PR)	paul.vann@walbrookpr.com
Paul Vann / Tom Cooper	+44 (0)20 7933 8780; +44 (0)7768 807631

CHAIRMAN'S STATEMENT

A challenging year but grounds for optimism

In last year's Annual Report, following an excellent set of results in 2018, I stated that the Group's 2019 financial performance was expected to be significantly weighted in favour of the second half, with the majority of revenues (and all of the profits) forecast to be realised towards the end of the year.

This was dependent upon the achievement of certain performance milestones on the Qatar contract combined with a strong second half weighted Order Book. I can report that these revenues and profits have indeed been recognised, in large part due to the continued successful delivery of the Qatar programme.

Key financials

For the year ended 31 December 2019, the Group recorded consolidated revenues of £20.4 million (2018: £21.1 million), underpinned by both the continued delivery of the Group's services contracts and successful ongoing acceptance of products on the Qatar contract.

The Group posted a consolidated loss before tax of £1.62 million (2018: profit before tax £3.18 million) which is stated after significant non-underlying costs. These non-underlying costs are explained in detail in the Annual Report and the Chief Executive's Review below. Underlying earnings before interest, tax and amortisation (EBITA) were £1.6m (2018: £.3.3m) and EBITDA £2.4m (2018: £3.7m).

Review of operations and re-structuring

During the period under review, a number of significant customer-driven challenges developed which slowed progress, incurred additional costs and impacted our overall financial performance. Most notably the re-basing of the contract for electro-mechanical trainers for the General Dynamics armoured vehicle programme and delays to the award of the major programme first announced in August 2018 which, together, had a negative impact on revenues, cashflow and profits for the year as a whole.

I can confirm that the necessary steps have been taken to address these challenges including a wide-ranging cost reduction and restructuring exercise.

Post period-end, the successful rebasing and uplift of the General Dynamics programme, and the announcement of the acquisition of Absolute Data Group and its complementary R4i suite of software products (which will increase our penetration of the US market), and which will be earnings enhancing in the first year, have underpinned our optimism and confidence for 2020 and beyond.

Board changes

During 2019 there were a number of Board changes.

With effect from 14 June 2019 Philip Cotton was appointed Non-Executive Director and Chair of the Audit & Risk Committee.

On 22 November 2019 the Group confirmed the appointment of Mervyn Skates as Operations Director, with effect from 1 January 2020.

On 22 November 2019 Gary Barnes, Finance Director, stepped down from the Board. On behalf of the Board, I would like to take this opportunity to recognise Gary's significant contribution to the Company and thank him for his 22 years' service.

Dividends

Taking account of the Group's 2019 financial performance, the trading outlook (including potential Covid-19 challenges) and the Group's cash position, the Directors believe that it is both prudent and in the Company's and shareholders' current best interests to retain cash for working capital.

The Board will therefore not be recommending the payment of a final dividend for the year ended 31 December 2019. However, it will continue to review dividend policy throughout 2020 based on trading performance and working capital requirements.

Governance

The Board is committed to maintaining robust corporate governance. It has worked closely with its advisors and in 2020 will continue to strengthen governance frameworks to ensure strong, proportionate governance throughout the Group. The Board has established appropriate risk management procedures and keeps key risks to the Group under regular review.

Culture

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

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

Our people

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

Brexit

The Board has carried out a review of its customer and supplier base and continues to monitor developments in relation to Brexit and its potential impact on the Group.

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

The Group presently expects that Brexit will have minimal effect on its trading but is keeping this under review as the political and economic situation develops and the potential impact of Brexit on the wider supply chain and the business environment generally becomes clearer.

Coronavirus (Covid-19)

Current Risks

The Group continues to assess and manage the impact of Covid-19 on its business. Three key risks to trading and prospects have been identified so far.

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

The second risk is the inability to gain access to customer facilities to deliver services. Our 'integrated logistics support' consultancy services are typically delivered at a customer's site; if we cannot access the relevant site due to Covid-19 restrictions, the ability to deliver the services is severely hampered.

Lastly, there is the broader risk that governments and major OEMs which award contracts to Pennant are, in the shorter term at least, consumed by their own efforts to deal with Covid-19 and therefore expected contract awards are consequently delayed until the pandemic has abated.

Actions Taken

With the first two risks set out above, we are working closely with the applicable customers to establish solutions so that reviews and services can be held and provided via remote means. We are confident that workarounds will be possible (and in some cases, these are already being implemented) but the impact on the timing and amount of any affected revenues is not yet clear. The third, macro risk is less easy for Pennant to directly influence, but we remain in close contact with key stakeholders to ensure we are well-informed and remain well-placed for awards.

Simultaneously, we are prioritising the safety and well-being of our employees and other stakeholders and have implemented near-total homeworking.

Financial Position

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

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

We are also investigating other potential financial options, including the Coronavirus Business Interruption Loan Scheme, with a view to securing access to further funding should it be required.

Strategy and outlook

A key objective of the Board's stated strategy for future growth is to increase the visibility and recurrence of earnings, especially those derived from software and services, and to develop new products and services complemented by strategic acquisitions.

Notwithstanding the ongoing uncertainties surrounding the Covid-19 pandemic, revenues and profits for 2020 are again expected to be second-half weighted due to the mix of products and the application of IFRS 15.

With our contracted three-year order book, valued at more than £33 million, the Board is confident that the Group's underlying strengths - our long-term customer relationships with governments and major OEMs, specialist services and our quality-assured reputation - will continue to provide a solid foundation for our long-term success.

Simon Moore
Chairman

CHIEF EXECUTIVE'S REVIEW

Restructuring and repositioning for future growth

The year under review was a challenging one for both management and staff with a number of issues involving significant customer driven changes to contracts, delays to the award of the major programme, underperformance in the Aviation Skills business and adverse freehold property valuations, combined to produce an outcome for the year which was below management's original expectations.

However, decisive action was taken during the period to restructure and reposition the business which has involved a wide-ranging cost reduction exercise, resulting in net annualised savings of over £0.6 million.

Notwithstanding these challenges (and the additional challenges now presented by Covid-19), the Group continues to focus on its strategic objective of increasing the proportion of its revenues which derive from software and services, particularly those of a recurring nature

Financial review

The results for the year are set out in detail in the Annual Report and Accounts, with the key financial performance indicators set out below.

Performance

The gross profit margin for the period was 36% (2018: 39%) reflecting the broadly consistent mix of products and services delivered across the two years.

The operating margin has, however, significantly decreased to a loss of £1.5m (2018: 15%). This was due to 'gearing up' (through investment in people and facilities) for the major programme for which Pennant was down selected in August 2018, recognition of the revaluation of certain freehold properties in line with the current market, the goodwill impairment of Aviation Skills Partnership, and increased overheads and restructuring expenses, which together contributed to a consolidated loss before tax of £1.6 million.

Underlying EBITA, excluding non-underlying costs, was £1.6 million. Details are given below:

	£000
Operating Loss	(1,517)
Impairment of Freehold Properties	819
Restructuring Expense	654
Amortisation (including Goodwill Impairment)	1,638
ADG Acquisition costs	54
Underlying EBITA	**1,648**

Impairment of freehold properties

In order to gear up for major contracts, the Group invested over £3 million in freehold property. The properties acquired are currently being utilised on the Qatar programme and on the helicopter trainer contract announced on 31 October 2019 and they are essential for the further expansion of the business.

Following a revaluation for the purposes of the annual accounts, it has become apparent that, due to the general softening of the commercial property market both locally and more broadly, certain of the properties were overvalued in the Company's balance sheet. While the net effect of the revaluation across Pennant's entire freehold portfolio is a reduction of £0.4 million (being an impairment of £0.8 million against certain properties and an increase in value of £0.4 million against others), due to applicable accounting standards the Group is required to expense the gross amount of the impairment (£0.8 million), which is regarded as non-underlying, with the upwards revaluations being credited to reserves.

Restructuring expense

During the year, the Group implemented a wide-ranging cost reduction exercise and various roles were removed from the business. The aggregate cost associated with terminations of employment resulting from this exercise was £0.7 million which is regarded as a non-underlying expense.

It is anticipated that this programme will realise gross annualised savings of over £1 million. Taking into account new roles and capabilities implemented in the revised structure, the net annualised cost saving will be circa £0.6 million.

Goodwill impairment

On 6 February 2019, the Company acquired the entire issued share capital of Aviation Skills Holdings Limited, the parent company of The Aviation Skills Partnership Limited ("ASP").

During the period it became apparent that commercialisation of the ASP model would be significantly slower and more challenging than expected.

Whilst opportunities to develop new academies are still being progressed it is not anticipated that any will come to fruition nor generate sustainable revenue within the next two years.

Following consultation with various stakeholders, the elements of the ASP business related to campaigning and delivering aviation skills (for young people and more broadly) were transferred to a newly-incorporated not-for-profit entity, Aviation Skills Foundation Limited. The 'NFP' status of this new entity is perceived to be critical to 'unlocking' the wider participation of key OEMs, primes and education sector participants. The commercial activities of ASP continue to be carried on by Pennant.

Based on its assessment of the short-term prospects of realising new academies, and the aforementioned restructuring, the Board has concluded that a full write-off of the £1.2m ASP goodwill is appropriate.

Year-end Order Book

At the end of the period, the year-end order book stood at £33 million (2018: £37 million), of which £16 million of revenue (2018: £19 million) is scheduled for recognition within one year based on anticipated completion of generic products and progress made on engineered-to-order contracts. Of the total order book, 61% (2018: 51%) is denominated in sterling and 28% (2018: 36%) is denominated in Canadian dollars. Any movement of sterling to the Canadian dollar would potentially impact the OmegaPS business.

Taxation

The Group's tax position shows a tax credit of £133,812 (2018: tax charge £32,712), representing an effective tax rate of nil (2018: 1%). The Group has unrelieved UK tax losses carried forward of £2.9 million (2018: £5.3 million).

Research & Development

Research and Development tax credits claimed in the UK during the year amounted to £2.2 million (2018: £1.9 million) with further claims on current projects expected to be made during 2020.

Cashflow

Cash used in operations amounted to £2.2 million (2018: cash generated in operations £5.0 million), reflecting the position on major programmes and the significant movement in working capital with many products reaching completion in the final quarter of 2019.

The Group had net borrowings at the year-end of £2.2 million (2018: Net cash of £1.5 million).

Divisional performance

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

Technical Training

The Group's Technical Training division (formerly known as Training Systems) is focused on the design and build of generic and platform-specific training solutions and the provision of related technical and support services.

During the period, the Group made significant investment in products, people and infrastructure in preparation for further growth expected to be driven by potential future contract awards.

The Technical Training division continues to be the main driver of revenues within the Group and has delivered a satisfactory performance given the challenges set out previously. Revenues for the year, which were significantly H2 weighted, were strong at £16.1 million (2018: £16.8 million) as a direct result of the successful delivery of major Middle East contracts.

	2019 £m	2018 £m
Revenue	**16.1**	16.8
Divisional Contribution	**(1.6)**	2.9

Revenues from the Technical Training division were predominantly generated from product sales, which accounted for 70% of the divisional revenues, with the balance generated from technical and support services.

The underlying contribution from Technical Training, ignoring non-underlying costs, accounted for 100% of the Group's underlying EBITDA for the period (2018: 90%).

Track Access Services

During the period the Group acquired the assets of Track Access Services ("TAS"). 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 DB Cargo. It is anticipated that TAS will provide the Group with additional opportunities to increase recurring revenues.

Integrated Logistics Support (ILS)

The Group's ILS division (formerly known as Software Services) focuses on the development of the OmegaPS LSAR software product and the provision of consultancy, training and support services in relation thereto.

	2019 £m	2018 £m
Revenue	**4.3**	4.3
Divisional Contribution	**-**	0.3

Revenues from the ILS division in both 2019 and 2018 were primarily generated from consultancy services 80% and long-term software maintenance agreements 20%. This contracted, recurring revenue is integral to the Group's forward visibility and quality of earnings and forms a key component of Group Strategy.

Absolute Data Group

Post year end the Group announced the completion of the purchase of Absolute Data Group ("ADG"), based in Brisbane, Australia. ADG owns the R4i suite of technical documentation software. The acquisition will enable the integration of R4i with the Group's OmegaPS suite of products and provide much greater traction in two of the Group's principal target markets, the United States and Australia.

Strategic & Operational review

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

Innovation

In line with the Group's core strategic objective, investment in innovation has been targeted to expand the Group's market coverage, addressing gaps in the product range and improving the overall customer proposition. During the period, the Group invested over £2m in the development of new and enhanced solutions.

To date eight new products have been successfully launched and orders have been secured for all of these solutions:

- Crew Escape & Safety Systems Trainer;
- Omega Rail software tool;
- Basic Helicopter Maintenance Trainer;
- Generic Stores Loading Trainer;
- Generic Fastener Installation Trainer;
- Genskills Mk 2;
- Virtual Aircraft Training System; and
- Virtual Loadmaster Training System.

The Company anticipates that it will continue to invest in new solutions during 2020 and beyond. The Group has an active pipeline of potential product innovations and improvements that are going through an assessment process with a view to obtaining funding approval if a business case is proven. Together, these new products offer the potential for further significant growth.

Infrastructure

The Group has continued to modernise and improve both production and administrative facilities with investment in a planned programme to upgrade our operations. During 2019 the Group invested £0.4 million in modernising and improving production capability.

These new facilities provide the capability to deliver complex and larger scale engineering programmes in the future.

People

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

During the early part of 2019, we strengthened and grew the teams across our UK, Canadian and Australian operations with significant investment made in senior skills and we made a number of strategic appointments designed to improve operational delivery, manage risk and gear up for the major programme.

However, following delays to certain contract awards and other costs incurred, the necessary wide-ranging cost reduction exercise implemented during the year has resulted in a number of other roles being removed from the business, thereby streamlining operations without compromising the ability to deliver.

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

Contracts

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

- Award of a new contract in October 2019 to design and build a full-size representation of a helicopter training aid for Leonardo Helicopters worth approximately £3.4 million, deliverable across 2020 and 2021.
- The successful completion and customer acceptance of devices on the Qatar contract delivering strong second half revenues.
- Successful rescoping of the Group's key contract for electromechanical trainers and computer-based training for General Dynamics, with contract value increased by £1.5 million to circa £13.5 million.
- Award of a new contract for the provision of additional training aids to the Middle East, including two new training solutions, worth circa £1.5 million, deliverable predominantly in 2020.
- A new contract for the supply of training aids and associated services for aviation technician training for the Australian Defence Force, valued undisclosed.
- An order from a Middle East customer for two software products, worth circa £500,000.
- An order from BAE Systems Australia for 50 Generic Fastening Instruments Trainers, a new solution created under the Groups product development strategy.
- Additional orders secured for multiple Genskills devices (marks 1 and 2).
- A renewed contract in the Middle East for technical and support services to be provided in region.

Implementing the strategy

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

In accordance with our stated strategy, the focus remains firmly on increasing the proportion of the Group's revenues which derive from the sale of software and services, particularly those of a recurring nature.

Steps taken this year include:

- the acquisition of Track Access Services at the start of the Second Half;
- the ongoing development of a new variant of OmegaPS (deployable on a 'software-as-a-service' basis);
- promoting unique VR software products in North America (deployable on a 'software-as-a-service' basis);
- our focus on securing additional, long-term product support contracts;
- the post period-end acquisition of Absolute Data Group and its R4i suite of software products; and
- continued investment and development of a training delivery capability.

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

The restructuring and repositioning of the business through the year, together with operational improvements implemented across the Group and our strong order book, provide a firm platform for future success.

Philip Walker
Group CEO

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019**	2018
Continuing operations		**£**	£
Revenue		20,429,990	21,069,223
Cost of sales		(13,079,052)	(12,806,223)
Gross profit		**7,350,938**	**8,263,000**
Land & buildings impairment		(819,496)	-
Goodwill impairment		(1,169,072)	-
Restructuring expenses		(654,248)	-
Other Administration expenses		(6,545,440)	(5,093,520)
Administrative Expenses		(9,188,256)	(5,093,520)
Other Income		319,663	-
Operating (Loss)/Profit		**(1,517,655)**	**3,169,480**
Finance costs		(110,655)	(1,700)
Finance income		156	10,857
(Loss)/Profit before taxation		**(1,628,154)**	**3,178,637**
Taxation (charge) / credit	1	133,812	(32,712)
(Loss)/Profit for the year attributable to the equity holders of the parent		**(1,494,342)**	**3,145,925**
Earnings per share			
Basic		**(4.16p)**	9.49p
Diluted		**(4.16p)**	8.67p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019**	2018
		£	£
(Loss)/Profit for the year attributable to the equity holders of the parent		**(1,494,342)**	**3,145,925**
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(49,259)	(34,086)
Deferred tax charge – share based payments		(102,762)	-
Items that will not be reclassified to profit or loss			
Net revaluation gain		370,197	-
Deferred tax credit – property, plant and equipment and intangibles		(62,933)	-
Total comprehensive income for the period attributable to the equity holders of the parent		**(1,339,099)**	**3,111,839**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Notes	2019	2018
		£	£
Non-current assets			
Goodwill		923,349	951,939
Other intangible assets		3,391,411	1,660,292
Property, plant and equipment		6,284,769	6,889,346
Right-of-use assets		971,296	-
Deferred tax assets		-	198,432
Total non-current assets		**11,570,825**	**9,700,009**
Current assets			
Inventories		570,724	1,923,639
Trade and other receivables		9,372,767	5,184,533
Corporation tax recoverable		869,247	-
Cash and cash equivalents		497,039	1,848,954
Total current assets		**11,309,777**	**8,957,126**
Total assets		**22,880,602**	**18,657,135**
Current liabilities			
Trade and other payables		3,929,527	4,478,039
Bank overdraft		2,739,278	-
Current tax liabilities		-	42,247
Obligations under finance leases		209,113	5,350
Total current liabilities		**6,877,918**	**4,525,636**
Net current assets		**4,431,859**	**4,431,490**
Non-current liabilities			
Obligations under finance leases		833,616	20,383
Trade and other payables		-	23,105
Deferred tax liabilities		325,215	-
Warranty provisions		-	50,000
Total non-current liabilities		**1,158,831**	**93,488**
Total liabilities		**8,036,749**	**4,619,124**
Net assets		**14,843,853**	**14,038,011**
Equity			
Share capital		1,805,730	1,685,177
Share premium account		5,100,253	3,168,870
Capital redemption reserve		200,000	200,000
Retained earnings		6,686,581	8,225,321
Translation reserve		248,667	297,926
Revaluation reserve		802,622	460,717
Total equity		**14,843,853**	**14,038,011**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share Premium	Capital red-emption reserve	Retained earnings	Translation reserve	Revaluation reserve	Total equity
	£	£	£	£	£	£	£
At 1 January 2018	1,647,177	2,677,571	200,000	7,982,360	332,012	489,007	13,328,127
Total Comprehensive Income for the year	-	-	-	3,145,925	-	-	3,145,925
Adjustment on initial application of IFRS 15	-	-	-	(3,151,644)	-	-	(3,151,644)
Other comprehensive income	-	-	-	-	(34,086)	-	(34,086)
Total comprehensive income	**1,647,177**	**2,677,571**	**200,000**	**7,976,641**	**297,926**	**489,007**	**13,288,322**
Issue of New Ordinary Shares	38,000	491,299	-	-	-	-	529,299
Recognition of share based payment	-	-	-	103,983	-	-	103,983
Deferred tax on share options	-	-	-	116,407			116,407
Transfer from revaluation reserve	-	-	-	28,290	-	(28,290)	-
At 31 December 2018	**1,685,177**	**3,168,870**	**200,000**	**8,225,321**	**297,926**	**460,717**	**14,038,011**
(Loss) for the year	-	-	-	(1,494,342)	-	-	(1,494,342)
Other comprehensive income	-	-	-	(165,695)	(49,259)	370,197	155,243
Total comprehensive income	**1,685,177**	**3,168,870**	**200,000**	**6,565,284**	**248,667**	**830,914**	**12,698,912**
Issue of New Ordinary Shares	120,553	1,931,383	-	-	-	-	2,051,936
Recognition of share based payment	-	-	-	93,005	-	-	93,005
Transfer from revaluation reserve	-	-	-	28,292	-	(28,292)	-
At 31 December 2019	**1,805,730**	**5,100,253**	**200,000**	**6,686,581**	**248,667**	**802,622**	**14,843,853**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Net cash from operations		**(2,210,706)**	5,012,123
Investing activities			
Interest received		156	10,857
Payment for acquisition of subsidiary, net of cash acquired		(406,496)	-
Purchase of intangible assets		(2,200,775)	(1,583,760)
Purchase of property, plant and equipment		(405,095)	(3,561,439)
Proceeds on disposal of property, plant & equipment		-	1,600
Net cash used in investing activities		**(3,012,210)**	(5,132,742)
Financing activities			
Proceeds from sale of ordinary shares		2,051,936	529,299
Cancellation of B & C Shares		(598,776)	-
Net funds from obligations under finance leases		(272,178)	(4,647)
Net cash from/(used in) financing activities		**1,180,982**	524,652
Net increase/(decrease) in cash and cash equivalents		**(4,041,934)**	404,033
Cash and cash equivalents at beginning of year		1,848,954	1,502,655
Effect of foreign exchange rates		(49,259)	(57,734)
Cash and cash equivalents at end of year		**(2,242,239)**	1,848,954

ABBREVIATED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Taxation

	2019 £	2018 £
Recognised in the income statement		
Current UK tax expense	303,891	-
Foreign tax	(30,978)	(103,819)
Adjustment in respect of prior tax years foreign	7,722	(9,770)
In respect of prior years	211,129	(5)
	491,764	(113,594)
Deferred tax expense relating to origination and reversal of temporary differences	(235,500)	84,463
Deferred tax prior year adjustment	(121,175)	-
Exchange rate difference	(1,277)	(3,581)
Total P&L tax credit / (expense)	**133,812**	(32,712)
Other Comprehensive Income charge for the period – Deferred tax	**(165,695)**	-

	2019 £	2018 £
Reconciliation of effective tax rate		
(Loss)/Profit before tax	**(1,628,154)**	3,178,641
Tax at the applicable rate of 19.00% (2018: 19.00%)	309,348	(604,199)
Fixed asset differences	(206,322)	-
Income not taxable for tax purposes	-	598,812
Tax effect of expenses not deductible in determining taxable profit	(262,322)	(88,885)
Surrender of tax losses for R&D expenditure	(94,311)	-
R&D expenditure credits	31,342	-
Additional deduction for R&D expenditure	233,489	365,604
Foreign tax credits	(25,495)	30,125
Share Option deduction	27,392	79,933
Effect of different tax rates of subsidiaries operating in other jurisdictions	74	(21,329)
Effect of lower rate of deferred tax	38,765	9,852
Deferred tax not recognised	(68,017)	(340,001)
Effect of adjustments for prior years	218,851	(13,351)
Effect of adjustments for prior years – deferred tax	(121,175)	-
Deferred tax charged directly to equity	165,695	-
Temporary differences not recognised in computation	(113,564)	10,977
Total tax expense	**133,812**	(32,712)

2. Publication of non-statutory accounts

The financial information presented in this announcement does not constitute the Group's financial statements for either the year ended 31 December 2019 or the year ended 31 December 2018, but is derived from those financial statements. The Group's statutory financial statements for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's annual general meeting. The auditors' reports on both the 2018 and 2019 financial statements were not qualified or modified, however the 2019 financial statements drew attention to a material uncertainty in respect of going concern arising from the impact of the Covid-19 pandemic. The directors' assessment of the uncertainty is set out in note 3 of the notes to the financial statements as contained the 2019 Annual Report and Accounts. Following such assessment, the Directors concluded that it was appropriate to prepare the financial statements using the 'going concern' basis.

Copies of the 2019 Annual Report and Accounts will be distributed to shareholders shortly in accordance with notified communications preferences and will be available on the Company's website from 20 April 2020: www.pennantplc.co.uk. Further copies may be obtained by contacting the Company Secretary at Pennant Court, Staverton Technology Park, Cheltenham GL51 6TL.