

5 August 2013

**Pennant International Group plc**  
**Interim Results for the six months ended 30 June 2013**

Strong trading momentum maintained;  
Earnings per share up 50%; Dividend up 33%;

Pennant International Group plc (“Pennant” or “the Group”), the AIM quoted supplier of integrated logistic support solutions, products and services, principally to the defence, rail, aerospace and naval sectors and to Government Departments, is pleased to announce Interim Results for the six months ended 30 June 2013.

**Commenting on the Group’s performance, Chairman Christopher Powell said:**

“I am pleased to report continuing growth and further improvement in the performance of the Group. The period has seen the achievement of both operational and strategic milestones that position us well for the medium and longer term.”

**Highlights: Financial**

- Group revenues increased by 38% to £9.8million (2012: £7.1million);
- Profit before tax up 51% to £1.14million (2012: £0.75million);
- Profit for the period attributable to shareholders of £0.87million (2012: £0.58million);
- Basic earnings per share increased by 50% to 3.31p (2012: 2.21p);
- Net cash at period end of £1.17million (2012: £2.07million); Nil borrowings;
- Interim dividend increased by 33% to 0.8p per share (2012: 0.6p)

**Highlights: Operational**

- Largest ever contract worth £16million over 5 years awarded during period by BAE Systems Australia Limited on behalf of Australian Defence Force; contract provides for further one year extensions up to 20 years;
- Contract worth up to £5million over five years awarded for support of training aids at a number of UK Ministry of Defence establishments;
- On schedule completion and delivery of first of two maintenance trainers for the AW 159 Wildcat helicopter under contract with Agusta Westland; value in excess of £12million;
- Successful completion of critical design review for Virtual Reality Parachute Flight Simulator for delivery to Singapore Defence, Science and Technology Agency;
- Growing consultancy revenues from Canadian Department of National Defence to maximize use of proprietary OmegaPS software suite;

**On current trading and prospects, Mr. Powell added:**

“The order book provides good visibility through 2014 and beyond. During the period there has been significant ongoing activity with a broad global spread of potential customers on a number of significant opportunities, particularly in the defence and rail sectors.

“The pipeline is robust and active and the Group’s good relationships with its customers and strong balance sheet continue to provide a strong platform from which to build and to realize the opportunities arising.”

**Enquiries:**

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## **Pennant International Group plc**

### **Interim Report for the six months ended 30 June 2013**

#### **Chairman's Statement**

I am pleased to report continuing growth and further improvement in the performance of the Group. The period has seen the achievement of operational and strategic milestones that position the Group well for the medium and longer term.

#### **Results and dividend**

Revenues for the period at £ 9.8 million were 38% higher than for the same period in 2012 (Interim 2012:£7.1 million) and operating profit rose strongly to £1,143,021 (Interim 2012:£755,003) an increase of 51%. Basic earnings per share rose to 3.31p (Interim 2012:2.21p).

Cash was used during the period mainly to fund the start of some major contracts. It is expected that this requirement for working capital will reduce during the second half as stage payments are received. The group has no borrowings.

Your Board is declaring a 33% increase in the interim dividend to 0.8p per share (Interim 2012: 0.6p) .The interim dividend will be paid on 25 October 2013 to shareholders on the register at close of business on 4 October 2013. The ex- dividend date is expected to be 2 October 2013.

#### **Highlights**

Major new contract awards:

- A contract with a value of approximately £16 million awarded by BAE Systems Australia Limited under which Pennant will supply and support a suite of training aids that will be used to provide a leading-edge technical training capability to the Australian Defence Force. The training aids will be delivered during the first 2 years with support revenues running for the remainder of the term. The 5 year contract provides for one year extensions up to 20 years.
- A contract with a potential value of £5 million running over up to 5 years for the support of training aids at a number of UK Ministry of Defence establishments.
- A contract with a value of £1.3 million for the supply of a software-based training capability to an Indian customer.
- The sale of licences for the use of the Group's Integrated Logistic Support Software product, OmegaPS, to Fleetway Inc. for use on the Canadian Arctic Operations Patrol Ship project.

Operational milestones achieved:

- Successful on- schedule completion of factory acceptance and delivery of the first of two maintenance trainers for the AW159 Wildcat helicopter under a contract with Agusta Westland having a value in excess of £12 million.
- Successful completion of critical design review for a Virtual Reality Parachute Flight Simulator for delivery to the Singapore Defence, Science and Technology Agency.
- Production and delivery of a suite of training aids under a contract with BAE Systems for supply to Saudi Arabia as part of the upgrade of their Technical Studies Institute.
- Continued development under a Professional Services Agreement with Capgemini UK PLC of the next generation Basic PAYE Tools to support the introduction of Real Time Information into the PAYE process.
- Growing consultancy revenues under an agreement with the Canadian Department of National Defence to maximise the use of OmegaPS in the Department.

## **Outlook**

The order book provides good visibility through 2014 and beyond and during the period there has been significant on-going activity with a broad global spread of potential customers on a number of significant opportunities particularly in the defence and rail sectors.

In the defence sector these requirements range from basic training aids for ab-initio students to complex platform specific simulators, computer based training and virtual reality. In the rail sector there are major new opportunities relating to the provision of documentation and training for operators and maintainers of rail assets.

The pipeline is robust and active and the Group's good relationships with its customers and its strong balance sheet continue to provide a firm position from which to build and realise the opportunities arising.

C C Powell  
Chairman  
2 August 2013

**PENNANT INTERNATIONAL GROUP plc**

**CONSOLIDATED INCOME STATEMENT** for the six months ended 30 June 2013

|                               | Notes | Six months ended<br>30 June 2013 | Six months ended<br>30 June 2012 | Year ended 31<br>December 2012 |
|-------------------------------|-------|----------------------------------|----------------------------------|--------------------------------|
|                               |       | Unaudited                        | Unaudited                        | Audited                        |
|                               |       | £                                | £                                | £                              |
| Revenue                       |       | 9,827,811                        | 7,099,457                        | 14,469,715                     |
| Cost of sales                 |       | (6,532,155)                      | (4,458,912)                      | (8,952,086)                    |
| <b>Gross profit</b>           |       | <b>3,295,656</b>                 | <b>2,640,545</b>                 | <b>5,517,629</b>               |
| Administrative expenses       |       | (2,152,635)                      | (1,885,542)                      | (3,920,782)                    |
| <b>Operating profit</b>       |       | <b>1,143,021</b>                 | <b>755,003</b>                   | <b>1,596,847</b>               |
| Finance costs                 |       | (5,181)                          | (1,031)                          | (3,832)                        |
| Finance income                |       | 2,209                            | 1,056                            | 9,950                          |
| <b>Profit before taxation</b> |       | <b>1,140,049</b>                 | <b>755,028</b>                   | <b>1,602,965</b>               |
| Taxation                      | 2     | (266,000)                        | (172,000)                        | (428,649)                      |
| <b>Profit for the period</b>  |       | <b>874,049</b>                   | <b>583,028</b>                   | <b>1,174,316</b>               |
| Earnings per share            | 3     |                                  |                                  |                                |
| Basic                         |       | 3.31p                            | 2.21p                            | 4.46p                          |
| Diluted                       |       | 3.27p                            | 2.18p                            | 4.39p                          |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the six months ended 30 June 2013

|  |  | Six months ended<br>30 June 2013 | Six months ended<br>30 June 2012 | Year ended 31<br>December 2012 |
|--|--|----------------------------------|----------------------------------|--------------------------------|
|  |  | Unaudited                        | Unaudited                        | Audited                        |
|  |  | £                                | £                                | £                              |
| Profit attributable to equity holders of the parent                      |  | 874,049                          | 583,028                          | 1,174,316                      |
| Other comprehensive income:  |  |                                  |                                  |                                |
| Exchange differences on translation of foreign operations                |  | 1,251                            | (10,936)                         | (49,910)                       |
| <b>Comprehensive income attributable to equity holders of the parent</b> |  | <b>875,300</b>                   | <b>572,092</b>                   | <b>1,124,406</b>               |

**PENNANT INTERNATIONAL GROUP plc**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** as at 30 June 2013

|                                      | <b>30 June 2013</b> | <b>30 June 2012</b> | <b>31 December 2012</b> |
|--------------------------------------|---------------------|---------------------|-------------------------|
|                                      | <b>Unaudited</b>    | <b>Unaudited</b>    | <b>Audited</b>          |
|                                      | <b>£</b>            | <b>£</b>            | <b>£</b>                |
| <b>Non-current assets</b>            |                     |                     |                         |
| Goodwill                             | 970,735             | 991,018             | 985,400                 |
| Other intangible assets              | 93,087              | 104,539             | 105,036                 |
| Property plant and equipment         | 1,831,311           | 1,782,213           | 1,821,559               |
| Available-for-sale investments       | 3,700               | 3,700               | 3,700                   |
| Deferred tax asset                   | 36,392              | 90,864              | 25,734                  |
| <b>Total non-current assets</b>      | <b>2,935,225</b>    | <b>2,972,334</b>    | <b>2,941,429</b>        |
|                                      |                     |                     |                         |
| <b>Current assets</b>                |                     |                     |                         |
| Inventories                          | 13,340              | 13,340              | 13,340                  |
| Trade and other receivables          | 5,797,189           | 4,055,574           | 3,918,737               |
| Cash and cash equivalents            | 1,171,500           | 2,074,904           | 2,173,237               |
| <b>Total current assets</b>          | <b>6,982,029</b>    | <b>6,143,818</b>    | <b>6,105,314</b>        |
|                                      |                     |                     |                         |
| <b>Total assets</b>                  | <b>9,917,254</b>    | <b>9,116,152</b>    | <b>9,046,743</b>        |
|                                      |                     |                     |                         |
| <b>Current liabilities</b>           |                     |                     |                         |
| Trade and other payables             | 3,013,127           | 3,473,119           | 2,875,690               |
| Current tax liabilities              | 593,652             | 178,898             | 374,927                 |
| Obligations under finance leases     | 4,418               | 13,201              | 4,726                   |
| Deferred revenue                     | 319,236             | 321,560             | 341,016                 |
| <b>Total current liabilities</b>     | <b>3,930,433</b>    | <b>3,986,778</b>    | <b>3,596,359</b>        |
|                                      |                     |                     |                         |
| <b>Net current assets</b>            | <b>3,051,596</b>    | <b>2,157,040</b>    | <b>2,508,955</b>        |
|                                      |                     |                     |                         |
| <b>Non current liabilities</b>       |                     |                     |                         |
| Obligations under finance leases     | 47,567              | -                   | 24,477                  |
| Deferred revenue                     | 5,470               | 19,786              | 12,251                  |
| Deferred tax liabilities             | 110,340             | 116,342             | 107,340                 |
| <b>Total non-current liabilities</b> | <b>163,377</b>      | <b>136,128</b>      | <b>144,068</b>          |
|                                      |                     |                     |                         |
| <b>Total liabilities</b>             | <b>4,093,810</b>    | <b>4,122,906</b>    | <b>3,740,427</b>        |
|                                      |                     |                     |                         |
| <b>Net assets</b>                    | <b>5,823,444</b>    | <b>4,993,246</b>    | <b>5,306,316</b>        |
|                                      |                     |                     |                         |
| <b>Equity</b>                        |                     |                     |                         |
| Share capital                        | 1,400,000           | 1,400,000           | 1,400,000               |
| Capital redemption reserve           | 200,000             | 200,000             | 200,000                 |
| Treasury shares                      | (390,382)           | (351,341)           | (402,690)               |
| Retained earnings                    | 4,274,967           | 3,368,005           | 3,771,398               |
| Translation reserve                  | 338,859             | 376,582             | 337,608                 |
| <b>Total equity</b>                  | <b>5,823,444</b>    | <b>4,993,246</b>    | <b>5,306,316</b>        |

**PENNANT INTERNATIONAL GROUP plc**  
**CONSOLIDATED STATEMENT OF CASH FLOWS** for the six months ended 30 June 2013

|  | Notes | Six months<br>ended 30<br>June 2013 | Six months<br>ended 30<br>June 2012 | Year ended 31<br>December 2012 |
|--|-------|-------------------------------------|-------------------------------------|--------------------------------|
|  |       | Unaudited                           | Unaudited                           | Audited                        |
|  |       | £                                   | £                                   | £                              |
| <b>Net cash generated from operating activities</b>            | 4     | (549,950)                           | 280,392                             | 795,409                        |
| <b>Investing activities</b>                                    |       |                                     |                                     |                                |
| Interest received  |       | 2,209                               | 1,056                               | 9,950                          |
| Proceeds of sale of property, plant and equipment              |       | 1,000                               | -                                   | 10,358                         |
| Purchase of intangible assets                                  |       | (22,310)                            | (5,765)                             | (36,860)                       |
| Purchase of property plant and equipment                       |       | (108,253)                           | (72,352)                            | (215,446)                      |
| Net cash used in investing activities                          |       | (127,354)                           | (77,061)                            | (231,998)                      |
| <b>Financing activities</b>                                    |       |                                     |                                     |                                |
| Dividends paid   |       | (369,797)                           | (264,224)                           | (422,353)                      |
| Purchase of own shares for treasury                            |       | -                                   | (195,785)                           | (343,315)                      |
| Proceeds of sale of treasury shares                            |       | 4,125                               | -                                   | 61,425                         |
| Net funds from/(repayment of) obligations under finance leases |       | 22,782                              | (2,078)                             | 13,924                         |
| Net cash used in financing activities                          |       | (342,890)                           | (462,087)                           | (690,319)                      |
| <b>Net (decrease)/ increase in cash and cash equivalents</b>   |       | (1,020,194)                         | (258,756)                           | (126,908)                      |
| Cash and cash equivalents at beginning of period               |       | 2,173,237                           | 2,343,105                           | 2,343,105                      |
| Effect of foreign exchange rates                               |       | 18,457                              | (9,445)                             | (42,960)                       |
| <b>Cash and cash equivalents at end of period</b>              |       | 1,171,500                           | 2,074,904                           | 2,173,237                      |

**PENNANT INTERNATIONAL GROUP plc**  
**STATEMENT OF CHANGES IN EQUITY** for the six months ended 30 June 2013

|  | Share<br>capital | Capital<br>Redemption<br>reserve | Treasury<br>shares | Retained<br>earnings | Translation<br>reserve | Total equity     |
|--|------------------|----------------------------------|--------------------|----------------------|------------------------|------------------|
|  | £                | £                                | £                  | £                    | £                      | £                |
| At 1 January 2012  | 1,400,000        | 200,000                          | (191,214)          | 3,080,745            | 387,518                | 4,877,049        |
| Total comprehensive income for the year                          | -                | -                                | -                  | 1,174,316            | (49,910)               | 1,124,406        |
| Recognition of share based payment                               | -                | -                                | -                  | 9,104                | -                      | 9,104            |
| Purchase of own shares for treasury                              | -                | -                                | (343,315)          | -                    | -                      | (343,315)        |
| Sale of treasury shares to satisfy share options                 | -                | -                                | 61,425             | -                    | -                      | 61,425           |
| Loss on sale of treasury shares transferred to retained earnings | -                | -                                | 70,414             | (70,414)             | -                      | -                |
| Dividends paid   | -                | -                                | -                  | (422,353)            | -                      | (422,353)        |
| At 31 December 2012  | 1,400,000        | 200,000                          | (402,690)          | 3,771,398            | 337,608                | 5,306,316        |
| Total comprehensive income for the half year                     | -                | -                                | -                  | 874,049              | 1,251                  | 875,300          |
| Recognition of share based payment                               | -                | -                                | -                  | 7,500                | -                      | 7,500            |
| Sale of treasury shares to satisfy share options                 | -                | -                                | 4,125              | -                    | -                      | 4,125            |
| Loss on sale of treasury shares transferred to retained earnings | -                | -                                | 8,183              | (8,183)              | -                      | -                |
| Dividends paid   | -                | -                                | -                  | (369,797)            | -                      | (369,797)        |
| <b>At 30 June 2013</b>   | <b>1,400,000</b> | <b>200,000</b>                   | <b>(390,382)</b>   | <b>4,274,967</b>     | <b>338,859</b>         | <b>5,823,444</b> |

**PENNANT INTERNATIONAL GROUP plc**  
**NOTES TO THE FINANCIAL INFORMATION** for the six months ended 30 June 2013

**1. Basis of preparation**

This condensed set of financial statements has been prepared using accounting policies expected to be adopted for the year ending 31 December 2013. These are anticipated to be consistent with those applied in the Group's latest annual audited financial statements for the year ended 31 December 2012. These accounting policies are drawn up in accordance with International Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the EU.

The comparative figures for the year ended 31 December 2012 set out in this Interim Report are not statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498 (2) or s498(3) of the Companies Act 2006.

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

**2. Taxation**

The taxation charge for the period is based on the estimated rate of tax that is likely to be effective for the full year to 31 December 2013.

**3. Earnings per share**

Basic earnings per share are calculated by dividing the profit for the period attributable to the shareholders by the weighted average number of shares in issue. The calculation of diluted earnings per share takes into account the potentially diluting effect of share options.

|   | <b>Six months ended<br/>30 June 2013</b> | <b>Six months ended<br/>30 June 2012</b> | <b>Year ended 31<br/>December 2012</b> |
|---|--|--|--|
|   | <b>£</b>                                 | <b>£</b>                                 | <b>£</b>                               |
| <b>Earnings</b>   |  |  |  |
| Net profit attributable to equity shareholders  | 874,049                                  | 583,028                                  | 1,174,316                              |
| <b>Number of shares</b>   | Number                                   | Number                                   | Number                                 |
| Weighted average number of ordinary shares  | 26,389,136                               | 26,326,969                               | 26,343,553                             |
| Diluting effect of share options  | 316,443                                  | 406,702                                  | 411,559                                |
| Weighted average number of ordinary shares for the purpose of dilutive earnings per share | 26,705,579                               | 26,733,671                               | 26,755,112                             |

#### 4. Cash generated from operations

|  | Six months ended<br>30 June 2013 | Six months ended<br>30 June 2012 | Year ended 31<br>December 2012 |
|--|----------------------------------|----------------------------------|--------------------------------|
|  | £                                | £                                | £                              |
| Profit for the period  | 874,049                          | 583,028                          | 1,174,316                      |
| Finance income   | (2,209)                          | (1,056)                          | (9,950)                        |
| Finance costs  | 5,181                            | 1,031                            | 3,832                          |
| Income tax expense   | 266,000                          | 172,000                          | 428,649                        |
| Depreciation of property, plant and equipment                  | 96,399                           | 81,103                           | 172,197                        |
| Amortisation of other intangible assets                        | 34,345                           | 27,848                           | 58,458                         |
| (Profit)/loss on disposal of property, plant and equipment     | (435)                            | -                                | 2,159                          |
| Share-based payment  | 7,500                            | 4,114                            | 9,104                          |
| <b>Operating cash flows before movement in working capital</b> | <b>1,280,830</b>                 | <b>868,068</b>                   | <b>1,838,765</b>               |
| Increase in receivables  | (1,878,452)                      | (1,252,794)                      | (1,115,957)                    |
| Increase in payables   | 137,437                          | 715,647                          | 118,218                        |
| Decrease in deferred revenue                                   | (28,561)                         | (39,443)                         | (27,522)                       |
| <b>Cash generated from operations</b>                          | <b>(488,746)</b>                 | <b>291,478</b>                   | <b>813,504</b>                 |
| Tax paid   | (56,023)                         | (10,055)                         | (14,263)                       |
| Interest paid  | (5,181)                          | (1,031)                          | (3,832)                        |
| <b>Net cash generated from operations</b>                      | <b>(549,950)</b>                 | <b>280,392</b>                   | <b>795,409</b>                 |

#### 5. Copies of this statement

Copies of this statement will be available on the Group's website ([www.pennantplc.co.uk](http://www.pennantplc.co.uk)) and from Pennant International Group plc, Pennant Court, Staverton Technology Park, Cheltenham, GL51 6TL.