



8 September 2014

Pennant International Group plc
Interim Results for the six months ended 30 June 2014

A good half-year performance producing strong cash generation and increased margins;

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, announce Interim Results for the six months ended 30 June 2014.

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

“I am pleased to report another period of good profits and cash flow and an increase in the interim dividend declared. During the period all trading divisions were profitable, a number of tenders for significant packages of work were submitted and solid progress was made on all of our existing major contracts”

Highlights: Financial

- Group revenues for the period of £9.6million (2013: £9.8million);
- Profit before tax of £1.18million (2013: £1.14million);
- Profit for the period attributable to shareholders of £0.91million (2013: £0.87million);
- Basic earnings per share of 3.47p (2013: 3.31p);
- Cash generated from operations of £1.4million (2013: £0.55million expended)
- Net cash at period end of £1.9million (2013: £1.2million); Nil borrowings;
- Interim dividend declared of 0.9p per share (2013: 0.8p)

Highlights: Operational

- New contract with value of approx £1.3million for supply of ab-initio training aids to Oman Military Training College;
- Successful delivery and installation of two maintenance trainers for AW159 Wildcat under contract with Agusta Westland;
- Good progress towards renewal of contract with Canadian Department of National Defence for OmegaPS software suite with potential value of CAD 20million over 5 years;
- Continuing work on major contract with BAE Systems Australia Limited to supply and support a suite of training aids for Australian Defence Force;

On current trading and prospects, Mr. Powell added:

“The pipeline is active and there has been significant on-going dialogue with a broad spread of potential customers on a number of significant opportunities, particularly in the defence and rail sectors. The Group’s good customer relationships and strong balance sheet provide a firm position from which to continue to build and realise opportunities as they arise.”

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Pennant International Group plc

Interim Report for the six months ended 30 June 2014

Chairman's Statement

I am pleased to report another period of good profits and cash flow and an increase in the interim dividend.

During the period all trading divisions were profitable, we submitted a number of tenders for significant packages of work and made solid progress on all our existing major contracts.

Results and dividend

Revenues for the period were £9.6 million (Interim 2013: £9.8m). Operating margins improved to 12.35% (interim 2013: 11.6%) giving operating profits of £1.18 million (Interim 2013: £1.14 million). Profit for the period after tax was £914,277 (Interim 2013: £874,049). Basic earnings per share rose to 3.47p (Interim 2013: 3.31p).

Cash generated from operations was £1.4 million (Interim 2013: cash used £0.55 million). The cash balance at the end of the period was £1.9 million (Interim 2013: £ 1.2 million).

Your Board is declaring a 12.5% increase in the interim dividend to 0.9p per share (Interim 2013: 0.8p) .The interim dividend will be paid on 3 October 2014 to shareholders on the register at close of business on 19 September 2014. The ex- dividend date is expected to be 17 September 2014.

Highlights

- A new contract with a value of approximately £1.3 million for the supply of ab –initio training aids to the Oman Military Training College.
- Successful delivery and installation of two maintenance trainers for the AW159 Wildcat helicopter under a contract with Agusta Westland. Negotiation is at an advanced stage for an additional contract with a value of £1.7 million to update the trainers to the latest specification of the helicopter.
- Positive progress towards the renewal of the contract with the Canadian Department of National Defence (DND) to maximise the use of Pennant's OmegaPS suite of software within the DND to manage the through-life costs of complex assets. The existing contract has been extended while negotiations continue. The new contract is expected to have a potential value of approximately CAD 20 million over 5 years.
- Continued successful progress on the major contract with BAE Systems Australia Limited to supply and support a suite of training aids for the Australian Defence Force. During the period the focus has been on in-country support, delivery of media for inclusion in computer aided instruction modules, and the manufacture of two Generic Flying Controls Trainers (Genfly) and two Integrated Avionics Maintenance Trainers for delivery in 2015.

- Sales of new licences for the use of the Group's Integrated Logistic Support Software product, OmegaPS, to a number of customers world-wide.

Outlook

The pipeline is active and there has been significant on-going dialogue with a broad spread of potential customers on a number of significant opportunities particularly in the defence and rail sectors. While the timing of these opportunities is generally outside our control, the Group's good relationships with its customers and its strong balance sheet provide a firm position from which to build and realise the opportunities as they arise.

C C Powell
Chairman

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
		Unaudited	Unaudited	Audited
		£	£	£
Revenue		9,574,431	9,827,811	18,676,969
Cost of sales		(6,076,492)	(6,532,155)	(12,226,023)
Gross profit		3,497,939	3,295,656	6,450,946
Administrative expenses		(2,315,806)	(2,152,635)	(4,195,236)
Operating profit		1,182,133	1,143,021	2,255,710
Finance costs		(5,922)	(5,181)	(11,733)
Finance income		2,066	2,209	2,651
Profit before taxation		1,178,277	1,140,049	2,246,628
Taxation	2	(264,000)	(266,000)	(550,830)
Profit for the period		914,277	874,049	1,695,798
Earnings per share	3			
Basic		3.47p	3.31p	6.43p
Diluted		3.41p	3.27p	6.33p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2014

		Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
		Unaudited	Unaudited	Audited
		£	£	£
Profit attributable to equity holders of the parent		914,277	874,049	1,695,798
Other comprehensive income:				
Exchange differences on translation of foreign operations		(22,947)	1,251	(189,217)
Comprehensive income attributable to equity holders of the parent		891,330	875,300	1,506,581

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2014

	30 June 2014	30 June 2013	31 December 2013
	Unaudited	Unaudited	Audited
	£	£	£
Non-current assets			
Goodwill	952,315	970,735	946,749
Other intangible assets	127,289	93,087	128,174
Property plant and equipment	1,926,365	1,831,311	1,910,187
Available-for-sale investments	3,700	3,700	3,700
Deferred tax asset	34,186	36,392	33,490
Total non-current assets	3,043,855	2,935,225	3,022,300
Current assets			
Inventories	4,000	13,340	4,000
Trade and other receivables	5,251,638	5,797,189	5,750,546
Cash and cash equivalents	1,886,979	1,171,500	1,156,950
Total current assets	7,142,617	6,982,029	6,911,496
Total assets	10,186,472	9,917,254	9,933,796
Current liabilities			
Trade and other payables	2,794,846	3,013,127	3,010,744
Current tax liabilities	302,467	593,652	243,930
Obligations under finance leases	6,548	4,418	8,171
Deferred revenue	282,418	319,236	326,116
Total current liabilities	3,386,279	3,930,433	3,588,961
Net current assets	3,756,338	3,051,596	3,322,535
Non current liabilities			
Obligations under finance leases	37,069	47,567	36,229
Deferred revenue	-	5,470	-
Deferred tax liabilities	126,854	110,340	121,866
Total non-current liabilities	163,923	163,377	158,095
Total liabilities	3,550,202	4,093,810	3,747,056
Net assets	6,636,270	5,823,444	6,186,740
Equity			
Share capital	1,401,400	1,400,000	1,400,000
Share premium	5,600	-	-
Capital redemption reserve	200,000	200,000	200,000
Treasury shares	(459,288)	(390,382)	(459,288)
Retained earnings	5,363,114	4,274,967	4,897,637
Translation reserve	125,444	338,859	148,391
Total equity	6,636,270	5,823,444	6,186,740

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
		Unaudited	Unaudited	Audited
		£	£	£
Net cash generated from/(used in) operating activities	4	1,411,072	(549,950)	165,319
Investing activities				
Interest received		2,066	2,209	2,651
Proceeds of sale of property, plant and equipment		-	1,000	1,000
Purchase of intangible assets		(41,271)	(22,310)	(94,603)
Purchase of property plant and equipment		(144,388)	(108,253)	(298,089)
Net cash used in investing activities		(183,593)	(127,354)	(389,041)
Financing activities				
Proceeds from issue of 'B' shares		7,000	-	-
Dividends paid		(473,800)	(369,797)	(581,110)
Purchase of own shares for treasury		-	-	(68,906)
Proceeds of sale of treasury shares		-	4,125	4,125
Net (repayment of)/funds from obligations under finance leases		(783)	22,782	15,197
Net cash used in financing activities		(467,583)	(342,890)	(630,694)
Net increase/(decrease) in cash and cash equivalents		759,896	(1,020,194)	(854,416)
Cash and cash equivalents at beginning of period		1,156,950	2,173,237	2,173,237
Effect of foreign exchange rates		(29,867)	18,457	(161,871)
Cash and cash equivalents at end of period		1,886,979	1,171,500	1,156,950

PENNANT INTERNATIONAL GROUP plc

STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2014

	Share capital	Share premium	Capital redemption reserve	Treasury shares	Retained earnings	Translation reserve	Total equity
	£	£	£	£	£	£	£
At 1 January 2013	1,400,000	-	200,000	(402,690)	3,771,398	337,608	5,306,316
Total comprehensive income for the year	-	-	-	-	1,695,798	(189,217)	1,506,581
Recognition of share based payment	-	-	-	-	19,734	-	19,734
Purchase of own shares for treasury	-	-	-	(68,906)	-	-	(68,906)
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	-	-	-	-	(581,110)	-	(581,110)
At 31 December 2013	1,400,000	-	200,000	(459,288)	4,897,637	148,391	6,186,740
Issue of 'B' shares	1,400	5,600	-	-	-	-	7,000
Total comprehensive income for the half year	-	-	-	-	914,277	(22,947)	891,330
Recognition of share based payment	-	-	-	-	25,000	-	25,000
Dividends paid	-	-	-	-	(473,800)	-	(473,800)
At 30 June 2014	1,401,400	5,600	200,000	(459,288)	5,363,114	125,444	6,636,270

PENNANT INTERNATIONAL GROUP plc
NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2014

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 2014. These are anticipated to be consistent with those applied in the Group's latest annual audited financial statements for the year ended 31 December 2013. 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 2013 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 2014.

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.

	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
	£	£	£
Earnings			
Net profit attributable to equity shareholders	914,277	874,049	1,695,798
Number of shares	Number	Number	Number
Weighted average number of ordinary shares	26,322,261	26,389,136	26,382,834
Diluting effect of share options	488,956	316,443	391,185
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	26,811,217	26,705,579	26,774,019

4. Cash generated from operations

	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
	£	£	£
Profit for the period	914,277	874,049	1,695,798
Finance income	(2,066)	(2,209)	(2,651)
Finance costs	5,922	5,181	11,733
Income tax expense	264,000	266,000	550,830
Depreciation of property, plant and equipment	129,131	96,399	206,098
Amortisation of other intangible assets	41,881	34,345	71,269
Profit on disposal of property, plant and equipment	-	(435)	(435)
Share-based payment	25,000	7,500	19,734
Operating cash flows before movement in working capital	1,378,145	1,280,830	2,552,376
Decrease/(increase) in receivables	498,908	(1,878,452)	(1,831,809)
Decrease in inventories	-	-	9,340
(Decrease)/increase in payables	(215,898)	137,437	135,054
Decrease in deferred revenue	(43,698)	(28,561)	(27,151)
Cash generated from/(used in) operations	1,617,457	(488,746)	837,810
Tax paid	(200,463)	(56,023)	(660,758)
Interest paid	(5,922)	(5,181)	(11,733)
Net cash generated from/(used in) operations	1,411,072	(549,950)	165,319

5. Copies of this statement

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