



27th September 2016

**Pennant International Group plc
Interim Results for the six months ended 30 June 2016**

Return to profit; Trading in line with market expectations;
Four new contracts secured; Strategic new customers including Lockheed Martin Corporation;
Record Group Order Book of £46m at Period-End;

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those obligations.

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, announces Interim Results for the six months ended 30 June 2016.

Commenting on the results and the Group's prospects for the year as a whole, new Chairman Simon Moore said:

"The Group recorded a modest pre-tax profit for the six months ended 30 June 2016, an outcome that is significantly better than the equivalent period last year. Furthermore, as highlighted in the Trading Update announced in June, the directors expect a substantial improvement in trading in the second half and, based on the levels of the confirmed record Order Book, are confident of a successful outcome for the year as whole."

Highlights: Financial

- Group revenues for the period of £6.6 million (2015: £5.7 million);
- Profit before tax of £10,582 (2015: loss before tax £0.75 million);
- Profit for the period attributable to shareholders of £10,582 (2015: loss £0.75 million);
- Cash generated from operations of £1.2 million (2015: cash used in operations of £(1.0) million);
- Nil borrowings; Net cash at period end of £2.6 million (2015: £(0.6) million);
- Basic earnings per share of 0.04p (2015: loss of (2.86p) per share);
- No Interim dividend declared (2015: 1.0p);
- Record Order Book of £46 million at Period-End including £36 million for delivery in 2017, 2018 and 2019;

- Effective nil tax rate; unrelieved tax losses of £4.7m;
- Minimal impact of Brexit on Group, other than short term currency fluctuations;
- Post period-end, an oversubscribed share issue at 55p per share to raise £3.56 million before expenses to provide additional working capital for new and existing contracts;

Highlights: Operational

- Secured second phase contract with undisclosed Middle Eastern customer worth in excess of £7 million;
- Secured the first phase of a supply contract with a new strategic Middle Eastern customer worth £6 million;
- Awarded new landmark contract with Lockheed Martin Corporation MST (LMC) with potential value of £2.2m over 18 months;
- Secured second contract with LMC to provide Rotary Wing Rear Crew Winch Trainer (RCWT) in support of Rear Crew Training for the United Kingdom Military Flight Training System (UKMFTS);
- Successful completion of contract with an Indian customer for the provision of software based training capability;
- Re-profiling of strategic single source contract due to run rate progressing ahead of expected levels. Early discussions commenced to renew the contract and increase its value;
- Sale of new licenses for the use of the Group's Integrated Logistics Support Software product, OmegaPS, to Oshkosh.

Mr. Moore concluded:

"The Board remains confident that trading will be in line with current market expectations for the year ending 31 December 2016. Notwithstanding the current global economic outlook, to date, we have seen very little noticeable impact on the Group's trading from the Brexit vote. Prospects for next year and beyond remain very positive with the future contracted Order Book, valued in aggregate at more than £46 million including £36 million with delivery currently scheduled as to £18 million in FY2017, £10 million in FY2018 and £8 million in FY2019, providing good long-term visibility of revenues."

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Pennant International Group plc
Interim Report for the six months ended 30 June 2016

Chairman's Statement

On behalf of the Board of Directors it gives me great pleasure to present to shareholders this my first interim results statement as Chairman. I am able to report that in the six months to 30 June 2016, the Group returned to profitability after a challenging 2015. The period under review has seen the achievement of significant operational and strategic objectives that position the Group well for the medium and longer term.

Results and dividend

Revenues for the period increased by £0.9m to £6.6 million (Interim 2015: £5.7 million). Several major new contacts were awarded during the period with work commencing on a number of these, resulting in an increase in revenue of 18% on the same period last year, whilst the Group's Order Book at the period-end stood at a record £46 million.

Gross profit margin for the period also improved to 36.3% (Interim 2015: 27.7%) as a result of previously implemented cost controls and the sales mix.

Administrative costs for the period were £2.4 million which is in line with prior years. Included within this figure were non underlying costs totaling £0.3m relating to short term currency fluctuations, non-recurring legal costs, redundancy and satisfactory settlement with HMRC.

The Group returned to profitability during the period, recording a modest profit after tax of £10,582 (Interim 2015: loss (£755,799)).

Basic earnings per share improved to 0.04p compared to a loss per share of 2.86p for the same period last year.

Cash generated from operations amounted to £1.2 million (Interim 2015: £(1.0) million cash used in operations), reflecting the improved trading during the period. The Group has nil borrowings with a cash balance at the end of the period of £2.6 million (Interim 2015: £(0.6) million).

An Effective nil tax rate is expected for the year as a whole with unrelieved tax losses of £4.7m at 30th June 2016 being carried forward.

As previously announced in the Trading Update of 16th June 2016 the Directors have concluded that it is in the Company's interests to retain cash and have therefore decided to suspend the payment of dividends until further notice (Interim 2015: 1.0p).

Operational Highlights

- Secured second phase contract with undisclosed Middle Eastern customer worth in excess of £7 million for the supply of a range of equipment, hardware and software, and maintenance support to an aeronautical engineering training college in the Middle East.

- The equipment supplied includes Part Task Trainers, mechanical and avionics systems for practicing maintenance activities and a virtual reality procedure trainer for aircraft marshalling and ground handling activities;
- Secured the first phase of a supply contract with a new strategic Middle Eastern customer worth £6 million for the supply of a range of equipment, hardware and software, and maintenance support to aeronautical engineering training college in the Middle East. The equipment supplied includes Part Task Trainers and mechanical and avionics systems for practicing maintenance activities.
 - Awarded a landmark contract with Lockheed Martin Corporation MST (LMC) with potential value of £2.2m over 18 months. The contract is for the development of computer based training for aircrew and engineering staff.
 - Secured second contract with LMC to provide Rotary Wing Rear Crew Winch Trainer (RCWT) in support of Rear Crew Training for the United Kingdom Military Flight Training System (UKMFTS). The RCWT is a representative cabin of the Maritime Advanced Rotary Training Aircraft and will support all aspects of Winch Operator training.
 - Successful completion of contract with an Indian customer for the provision of software based training capability.
 - Re-profiling of strategic single source contract due to run rate progressing ahead of expected levels. Early discussions commenced to renew the contract and increase its value;
 - Sale of new licenses for the use of the Group's Integrated Logistics Support Software product, OmegaPS, to Oshkosh.

Board changes

On 3 March 2016, Jennifer Powell stepped down as a Non-Executive Director. The Board would like to thank Jennifer for her contribution during her time on the Board.

On 18 May 2016, Christopher Powell stepped down as Chairman to become a Non-Executive Director. The Board would like to take this opportunity on behalf of the Board and the Group's shareholders to thank Christopher for his contribution during his time as Chairman.

More recently, on 26 September 2016, Tim Rice was appointed to the Board as a Non-Executive Director. Tim has extensive senior management and aerospace sector experience. As former Managing Director of Vector Aerospace UK and Managing Director of Messier Services UK, Tim has experience and expertise in customer facing development, corporate governance and strategy in the defence and aviation markets.

Post Period-End Expansion of Business Premises

On 19 July 2016, the Company announced that it took possession of two commercial premises at Staverton Connection Business Park, Cheltenham. This has been followed by the acquisition of a third unit at the same location, representing a total investment of £1 million in new facilities.

The new premises will more than double Pennant's production capacity to over 24,000 sq ft. and will facilitate continued expansion and growth.

Post Period-End Share Issue

On 15 August, 2016, the Company announced its first equity fund-raising since 2001. This followed the earlier announcement in June that it had secured work on two major contracts. These projects, with two Middle Eastern customers have an aggregate value in excess of £13 million. Having considered the working capital requirements of these contracts and to ensure sufficient headroom to cover commitments to other existing and potential work, the Directors believed it prudent to supplement the Company's existing working capital resources by way of an equity fund-raising. This was successfully concluded with an oversubscribed placing of 1,527,739 treasury shares and 976,461 new ordinary shares which raised £3.56 million before expenses at 55 pence per share.

Outlook

In the Group's Trading Update published on 16th June 2016, the Board stated that a substantial improvement in trading is expected in the second half of the year. The Board remains confident that trading will be in line with market expectations for the current year ending 31 December 2016.

Furthermore, prospects remain very positive, taking into the account the contracted order book valued at more than £46 million with £36 million currently scheduled for delivery as to £18 million in FY2017, £10 million in FY2018 and £8 million in FY2019. This underpins the forward visibility of revenues well into 2019.

The Board is confident that it can continue to increase revenues through organic growth but it will also consider complementary strategic acquisitions which can both increase the depth and range of the Group's offering and enhance underlying revenues.

I would like to thank all staff across the Group for their hard work and dedication in the first half of this year. It is an exciting time for Pennant and I look forward to updating the market on further progress in due course.

S A Moore
Chairman

Pennant International Group plc
Interim Report for the six months ended 30 June 2016

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
		Unaudited	Unaudited	Audited
		£	£	£
Revenue		6,648,634	5,775,036	9,892,685
Cost of sales		(4,235,697)	(4,172,834)	(7,591,942)
Gross profit		2,412,937	1,602,202	2,300,743
Administrative expenses		(2,402,778)	(2,352,558)	(4,658,145)
Operating profit / (loss)		10,159	(750,356)	(2,357,402)
Finance costs		(387)	(9,042)	(25,682)
Finance income		810	3,599	4,905
Profit / (Loss) before taxation		10,582	(755,799)	(2,378,179)
Taxation	2	-	-	72,445
Profit / (Loss) for the period		10,582	(755,799)	(2,305,734)
Earnings per share	3			
Basic		0.04p	(2.86p)	(8.71)p
Diluted		0.04p	(2.72p)	(8.71)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2016

		Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
		Unaudited	Unaudited	Audited
		£	£	£
Profit attributable to equity holders of the parent		10,582	(755,799)	(2,305,734)
Other comprehensive income:				
<i>Items that will may be reclassified to profit and loss</i>				
Exchange differences on translation of foreign operations		308,782	(128,868)	(132,558)
Comprehensive income attributable to equity holders of the parent		319,364	(884,667)	(2,438,292)

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2016

	30 June 2016	30 June 2015	31 December 2015
	Unaudited	Unaudited	Audited
	£	£	£
Non-current assets			
Goodwill	955,599	927,923	929,606
Other intangible assets	424,597	716,005	566,822
Property plant and equipment	2,571,221	2,864,249	2,707,326
Available-for-sale investments	3,700	3,700	3,700
Deferred tax asset	534,917	224,692	530,622
Total non-current assets	4,490,034	4,736,569	4,738,076
Current assets			
Inventories	29,854	29,854	29,854
Trade and other receivables	5,156,109	5,701,345	3,743,435
Cash and cash equivalents	2,596,678	-	1,123,456
Current tax asset	-	12,393	-
Total current assets	7,782,641	5,743,592	4,896,745
Total assets	12,272,675	10,480,161	9,634,821
Current liabilities			
Trade and other payables	4,896,321	1,161,862	2,657,910
Bank overdraft	-	642,643	-
Current tax liabilities	89,129	-	123,465
Obligations under finance leases	7,186	4,076	13,761
Deferred revenue	261,582	241,285	174,168
Total current liabilities	5,254,218	2,049,866	2,969,304
Net current assets	2,528,423	3,693,726	1,927,441
Non current liabilities			
Obligations under finance leases	-	23,116	8,424
Deferred tax liabilities	391,857	379,952	391,857
Total non-current liabilities	391,857	403,068	400,281
Total liabilities	5,646,075	2,452,934	3,369,585
Net assets	6,626,600	8,027,227	6,265,236
Equity			
Share capital	1,402,100	1,401,400	1,402,100
Share premium	8,400	5,600	8,400
Capital redemption reserve	200,000	200,000	200,000
Treasury shares	(418,225)	(418,225)	(418,225)
Retained earnings	4,305,612	5,946,359	4,230,206
Translation reserve	312,380	7,288	3,598
Revaluation reserve	816,333	884,805	839,157
Total equity	6,626,600	8,027,227	6,265,236

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
		Unaudited	Unaudited	Audited
		£	£	£
Net cash generated from / (used in) operating activities	4	1,223,274	(1,045,225)	1,097,287
Investing activities				
Interest received		810	3,599	4,905
Proceeds of sale of property plant and equipment		23,621	-	-
Purchase of intangible assets		(10,529)	(22,773)	(30,413)
Purchase of property plant and equipment		(13,887)	(2,273)	(18,367)
Net cash used in investing activities	15	(21,447)	(43,875)	
Financing activities				
Proceeds from issue of 'C' shares		-	-	3,500
Dividends paid		-	(529,445)	(794,168)
Net (repayment of)/funds from obligations under finance leases		(14,999)	(6,593)	(11,600)
Net cash used in financing activities		(14,999)	(536,038)	(802,268)
Net (decrease)/ increase in cash and cash equivalents		1,208,290	(1,602,710)	251,144
Cash and cash equivalents at beginning of period		1,123,456	1,068,632	1,068,632
Effect of foreign exchange rates		264,932	(108,565)	(196,320)
Cash and cash equivalents at end of period		2,596,678	(642,643)	1,123,456

PENNANT INTERNATIONAL GROUP plc

STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2016

	Share capital	Share premium	Capital redemption reserve	Treasury shares	Retained earnings	Translation reserve	Revaluation reserve	Total equity
	£	£	£	£	£	£	£	£
At 1 January 2015	1,401,400	5,600	200,000	(418,225)	7,207,603	136,156	884,805	9,417,339
Loss for the year	-	-	-	-	(2,305,734)	-	-	(2,305,734)
Other comprehensive income	-	-	-	-	-	(132,558)	-	(132,558)
Issue of C shares	700	2,800	-	-	-	-	-	3,500
Recognition of share based payment	-	-	-	-	76,857	-	-	76,857
Transfer from revaluation reserve	-	-	-	-	45,648	-	(45,648)	-
Dividends paid	-	-	-	-	(794,168)	-	-	(794,168)
At 31 December 2015	1,402,100	8,400	200,000	(418,225)	4,230,206	3,598	839,157	6,265,236
Profit for period	-	-	-	-	10,582	-	-	10,582
Other comprehensive income	-	-	-	-	-	308,782	-	308,782
Recognition of share based payment	-	-	-	-	42,000	-	-	42,000
Transfer from revaluation reserve	-	-	-	-	22,824	-	(22,824)	-
At 30 June 2016	1,402,100	8,400	200,000	(418,225)	4,305,612	312,380	816,333	6,626,600

PENNANT INTERNATIONAL GROUP plc

NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2016

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 2016. These are anticipated to be consistent with those applied in the Group's latest annual audited financial statements for the year ended 31 December 2015. 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 2015 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 2016.

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 2016	Six months ended 30 June 2015	Year ended 31 December 2015
	£	£	£
Earnings			
Net profit / (loss) attributable to equity shareholders	10,582	(755,799)	(2,305,734)
Number of shares	Number	Number	Number
Weighted average number of ordinary shares	26,472,261	26,472,261	26,472,261
Diluting effect of share options	2,077,619	1,348,810	1,508,214
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	28,549,880	27,821,071	27,980,475

4. Cash generated from operations

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
	£	£	£
Profit / (Loss) for the period	10,582	(755,799)	(2,305,734)
Finance income	(810)	(3,599)	(4,905)
Finance costs	387	9,042	25,682
Income tax (credit)	-	-	(72,445)
Depreciation of property, plant and equipment	134,625	132,883	305,940
Amortisation of other intangible assets	153,048	156,860	313,580
Share-based payment	42,000	24,000	76,857
Operating cash flows before movement in working capital	339,832	(436,613)	(1,661,025)
(Increase)/ decrease in receivables	(1,412,674)	(318,219)	1,639,691
(Increase) in inventories	-	(854)	(854)
Increase/(decrease) in payables	2,238,411	(1,017,148)	478,900
Increase/(decrease) in deferred revenue	87,414	12,606	(54,511)
Cash generated from/(used in) operations	1,252,983	(1,760,228)	402,201
Tax (paid) / refund	(29,322)	724,045	720,768
Interest paid	(387)	(9,042)	(25,682)
Net cash generated from/(used in) operations	1,223,274	(1,045,225)	1,097,287

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.