Pennant International Group plc
Interim Report for the six months ended 30 June 2010

6 September 2010

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 2010.

Commenting on the Group's performance, Chairman Christopher Powell said:
"I am pleased to be able to report continued improvement in profitability, strong cash generation and encouraging opportunities for major orders following the selection of Pennant Training Systems Limited as potential suppliers for the Lynx Wildcat Training Programme and also for a major Land Systems programme."

"Our strategy of building strong relationships with prime contractors and original equipment manufacturers continues to produce improving results across the Group, with a strong pipeline of new prospects both in the UK and abroad."

Highlights: Financial

- Group revenues for the period of £4.9million (2009: £4.8million);
- Gross margin further increased to 41% (2009: 38%);
- Operating profit of £220,000 (2009: £114,000);
- Profit attributable to equity holders of £189,000 (2009: £87,000);
- Net cash at period end of £1,025,000 (2009: Net debt of £260,000);
- Earnings per share of 0.67pence (2009: 0.29pence);
- Interim dividend of 0.25pence per share

Highlights: Operational

- Strong tendering activity.
- Training Systems: selection as potential supplier for two major projects - Lynx Wildcat Training Programme and a new Land Systems Programme; new contracts include: Sultanate of Oman for supply of 12 Handskill Trainers; new MOD contract to provide support for training equipment for the Warrior Infantry Fighting Vehicle; supply of 8 Virtual Reality Parachute Trainers to the Parachute Training School at RAF Brize Norton.
- Data Services: improved performance continued; new contract with Rail Safety and Standards Board; ongoing work with Alstrom Switzerland Limited; three year contract extension to September 2013 with TOTAL.
- Software Services: continued successful support and consultancy under five year contract with Canadian Department of National Defence; new licence sales of OmegaPS software to Vitrociset, BN Group and Daimler AG.

On current trading and prospects, Mr Powell added:

"Defence spending in the UK is currently subject to a major review, however your Board remains optimistic of significant orders in the short to medium term, providing good visibility of work running forward from 2011.The Group is well placed to take advantage of a number of excellent opportunities in the UK and abroad, backed by an excellent reputation, strong balance sheet and a healthy cash position."

Enquiries:

Pennant International Group plc **Tel: 01452 714881**
Chris Snook, Chief Executive
John Waller, Finance Director

Winningtons Financial **Tel: 0117 985 8989**
Paul Vann/Tom Cooper

WH Ireland **Tel: 0117 945 3470**
Mike Coe/Marc Davies

PENNANT INTERNATIONAL GROUP plc
INTERIM REPORT for the six months ended 30 June 2010

Chairman's Statement

I am pleased to be able to report continued improvement in profitability, strong cash generation and encouraging opportunities for major orders following the selection of Pennant Training Systems Limited as potential suppliers for the Lynx Wildcat Training Programme and also for a major Land Systems programme.

Results

Revenue for the period was £4.9 million (Interim 2009: £4.8 million). Gross margin increased to 41% (2009: 38%). Operating profit was £220,000 (Interim 2009: £114,000). The tax charge of £20,000 (interim 2009: £20,000) reflects the use of brought forward tax losses. Earnings were £189,000 (Interim 2009: £87,000) equating to basic earnings per share of 0.67p (Interim 2009: 0.29p).

Cash generated from operations was £489,000 (Interim 2009: cash absorbed £155,000). Cash at the end of the period was £1,372,000 (Interim 2009: £268,000). The Group had net cash of £1,025,000 (Interim 2009: net debt £260,000).

Your Board recommends the payment of an interim cash dividend of 0.25p. The dividend will be paid on 15 October 2010 to shareholders on the register at close of business on 17 September 2010. The shares are expected to go ex-dividend on 15 September 2010.

Current Trading

Our strategy of building strong relationships with prime contractors and original equipment manufacturers has not only produced improved results during the period, but has also given the Group a strong pipeline of good prospects with both new and existing customers.

In particular, the Training Systems Division has been selected as potential supplier for two major contracts:

- The Lynx Wildcat Training programme for Westland Helicopters Limited, a multi-million pound contract that will make use of hardware and software models developed by Pennant for previous Lynx helicopter training systems.
- A major Land Systems programme (another multi-million pound opportunity) to supply computer based training and part task trainers.

Other principal activities and achievements during the period are shown below by trading division:

Training Systems Division

- Continued significant tendering activity.

- A new contract with the UK MOD for the design, manufacture, installation and support of eight Virtual Reality Parachute Trainers for the Parachute Training School at RAF Brize Norton.
- Further extensions to contracts with BAE Systems in support of their sales of Hawk aircraft.
- Contracts with UK MOD for the update of existing courseware for the Sea King helicopter for RNAS Culdrose and the Jaguar aircraft for DCAE Cosford.
- A new contract with Thales Avionics Limited for the supply of computer based training for aircrew and ground crew for the Chinook HC Mk4; Project Julius.
- A new contract with Quintec Associates Limited to design and develop courseware in support of the Joint Operations Fuel System (JOFS) programme for the UK military.
- A contract with the Sultanate of Oman for the supply of 12 Handskill Trainers.
- A new contract with the MOD for the support of four Frame Electrical Layouts (FELs) located at the British Army's School of Electrical and Mechanical Engineering, Bordon. The FELs are used to provide basic training in the repair and fault diagnosis of the Warrior Infantry Fighting Vehicle.

Data Services Division

- A three year extension, to September 2013, of a contract with TOTAL for the supply of specialist drawing services.
- Completion of the budget update to the CD ROM for HMRC delivered to all operators of the PAYE system and extension of the contract to cover work to the end of 2010.
- A new contract to provide the Rail Safety and Standards Board with a Shunter Training package that can be delivered on DVD or alternatively hosted on-line.
- On going work with Alstom Switzerland Limited creating Operation and Maintenance Manuals in respect of the auxiliary systems required to keep gas turbines operational.

Software Services Division

- Successful development and re-engineering of the OmegaPS software suite as a multi-lingual product to support the growing needs of the global customer base.
- New licence sales of OmegaPS to Vitrociset (in respect of the Galileo project), BN Group and Daimler AG.
- Consultancy and training for DCNS Group in connection with the integration of OmegaPS with their OASIS product.
- Continued successful support and consultancy, under a five year contract with the Canadian DND in connection with their implementation of OmegaPS.

Outlook

The Group has a number of excellent opportunities in the UK and abroad and is very well placed as the potential supplier on two major contracts in the UK. Defence spending in the UK is currently subject to a major review, however, your Board remains optimistic of significant orders in the short to medium term providing visibility of work running forward from 2011.

The Group is well placed to take advantage of these opportunities backed by an excellent reputation, a strong balance sheet and a healthy cash position.

C C Powell
Chairman
6 September 2010

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
		Unaudited	**Unaudited**	**Audited**
		£	**£**	**£**
Revenue		4,892,160	4,828,042	9,485,858
Cost of sales		(2,888,655)	(2,983,568)	(5,778,263)
Gross profit		2,003,505	1,844,474	3,707,595
Administrative expenses		(1,783,472)	(1,730,788)	(3,402,742)
Operating profit		220,033	113,686	304,853
Joint venture		-	2,119	20,390
		220,033	115,805	325,243
Finance costs		(11,023)	(9,116)	(24,932)
Finance income		68	177	639
Profit before taxation		209,078	106,866	300,950
Taxation	2	(20,000)	(20,000)	(7,715)
Profit for the period		189,078	86,866	293,235
Earnings per share	3			
Basic		0.67p	0.29p	1.00p
Diluted		0.61p	0.27p	0.91p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2010

		Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
		Unaudited	**Unaudited**	**Audited**
		£	**£**	**£**
Profit attributable to equity holders of the parent		189,078	86,866	293,235
Other comprehensive income:				
Exchange differences on translation of foreign operations		68,412	(102,094)	71,868
Comprehensive income attributable to equity holders of the parent		257,490	(15,228)	365,103

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2010

	30 June 2010	30 June 2009	31 December 2009
	Unaudited	Unaudited	Audited
	£	£	£
Non-current assets			
Goodwill	954,198	879,846	952,939
Other intangible assets	78,361	90,068	64,832
Property plant and equipment	1,789,942	1,864,094	1,802,587
Interest in Joint Venture	-	5,370	-
Available-for-sale investments	3,700	6,135	3,700
Deferred tax asset	41,542	29,339	38,304
Total non-current assets	2,867,743	2,874,852	2,862,362
Current assets			
Inventories	26,840	19,340	16,340
Trade and other receivables	2,226,901	3,442,332	2,347,179
Cash and cash equivalents	1,371,938	267,792	1,284,384
Total current assets	3,625,679	3,729,464	3,647,903
Total assets	6,493,422	6,604,316	6,510,265
Current liabilities			
Trade and other payables	1,124,425	1,278,354	989,819
Current tax liabilities	18,335	15,569	14,089
Obligations under finance leases	4,373	2,490	4,612
Bank loan	187,616	189,461	172,334
Deferred revenue	336,969	364,535	377,294
Total current liabilities	1,671,718	1,850,409	1,558,148
Net current assets	1,953,961	1,879,055	2,089,755
Non current liabilities			
Bank loan	140,118	318,761	245,225
Obligations under finance leases	14,321	17,190	15,661
Deferred tax liabilities	-	-	-
Deferred revenue	4,887	10,583	7,700
Total non-current liabilities	159,326	346,534	268,586
Total liabilities	1,831,044	2,196,943	1,826,734
Net assets	4,662,378	4,407,373	4,683,531
Equity			
Share capital	1,600,000	1,600,000	1,600,000
Treasury shares	(474,518)	(363,016)	(470,318)
Share premium account	-	3,582,329	-
Retained earnings	3,222,128	(484,334)	3,307,493
Translation reserve	314,768	72,394	246,356
Total equity	4,662,378	4,407,373	4,683,531

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
		Unaudited	Unaudited	Audited
		£	£	£
Net cash generated from /(used in) operating activities	4	489,464	(155,000)	961,688
Investing activities				
Interest received		68	177	639
Purchase of intangible assets		(38,475)	(300)	(4,488)
Purchase of property plant and equipment		(50,625)	(19,788)	(31,469)
Net cash inflow from closure of joint venture		-	-	18,639
Net cash used in investing activities		(89,032)	(19,911)	(16,679)
Financing activities				
Dividends paid		(280,701)	-	-
Transactions in own shares		(4,200)	-	(107,302)
Repayment of borrowings		(89,825)	(94,936)	(185,599)
Repayment of obligations under finance leases		(1,579)	(1,061)	(468)
Net cash used in financing activities		(376,305)	(95,997)	(293,369)
Net increase/(decrease) in cash and cash equivalents		24,127	(270,908)	651,640
Cash and cash equivalents at beginning of period		1,284,384	600,631	600,631
Effect of foreign exchange rates		63,427	(61,931)	32,113
Cash and cash equivalents at end of period		1,371,938	267,792	1,284,384

PENNANT INTERNATIONAL GROUP plc
STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2010

	Share capital	Treasury shares	Share premium account	Retained earnings	Translation reserve	Total equity
	£	**£**	**£**	**£**	**£**	**£**
At 1 January 2009	1,600,000	(363,016)	3,582,329	(571,200)	174,488	4,422,601
Capital reduction	-	-	(3,582,329)	3,582,329	-	-
Total comprehensive income for the year	-	-	-	293,235	71,868	365,103
Purchase of treasury shares	-	(107,302)	-	-	-	(107,302)
Recognition of share based payment	-	-	-	3,129	-	3,129
At 31 December 2009	1,600,000	(470,318)	-	3,307,493	246,356	4,683,531
Total comprehensive income for the half year	-	-	-	189,078	68,412	257,490
Dividends paid	-	-	-	(280,701)	-	(280,701)
Transactions in treasury shares	-	(4,200)	-	-	-	(4,200)
Share based payment	-	-	-	6,258	-	6,258
At 30 June 2010	1,600,000	(474,518)	-	3,222,128	314,768	4,662,378

PENNANT INTERNATIONAL GROUP plc
NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2010

1. Basis of preparation

This condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs). The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied to the Group's latest annual audited financial statements. The following standards, amendments to standards and interpretations have been adopted by the EU and are mandatory for the first time for the financial year beginning 1 January 2010 but have had no effect on the information presented in this condensed set of financial statements:

IFRS 3 (Revised)	Business Combinations - Comprehensive revision on applying the acquisition method.
IAS 27 (Revised)	Consolidated and Separate Financial Statements – Consequent amendments arising from the revision of IFRS 3.
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Amendments for Embedded Derivatives when Reclassifying Financial Instruments
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of Net Investment in a Foreign Subsidiary
IFRIC 17	Distribution of Non Cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers

In addition, as a result of the April 2009 and May 2008 Annual Improvements to IFRSs there have been numerous amendments which have become effective from 1 January 2010 and are relevant to the Group, none of these amendments have had any impact on the presented financial information.

While the financial figures included in this half-yearly report have been computed in accordance with IFRSs applicable to interim periods and include the information required to be disclosed by the AIM Rules for Companies, they do not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34, 'Interim Financial Reporting'.

The results for the year ended 31 December 2009 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.

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 2010.

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 assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options.

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
	£	£	£
Earnings			
Net profit attributable to equity shareholders	189,078	86,866	293,235
Number of shares	Number	Number	Number
Weighted average number of ordinary shares	28,070,116	29,487,045	29,325,900
Number of dilutive shares under option	2,760,000	2,160,000	2,820,000
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	30,830,116	31,647,045	32,145,900

4. Cash generated from/(used in) operations

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
	£	£	£
Profit for the period	189,078	86,866	293,235
Joint venture	-	(2,119)	(20,390)
Finance income	(68)	(177)	(639)
Finance costs	11,023	9,116	24,932
Income tax expense	20,000	20,000	7,715
Share-based payment	6,258	-	3,129
Depreciation charge	88,704	112,871	219,730
Impairment loss on available-for-sale investments	-	-	2,435
Operating cash flows before movement in working capital	314,995	226,557	530,147
Decrease/(increase) in receivables	120,278	(246,117)	854,036
(Increase)/decrease in inventories	(10,500)	5,630	8,630
Increase/(decrease) in payables	134,606	(35,247)	(323,782)
Decrease in deferred revenue	(43,138)	(78,382)	(68,506)
Cash generated from (used in) operations	516,241	(127,559)	1,000,525
Tax paid	(15,754)	(18,325)	(13,905)
Interest paid	(11,023)	(9,116)	(24,932)
Net cash generated from/(used in) operations	489,464	(155,000)	961,688

5. Copies of this statement

Copies of this statement will be sent to shareholders and 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.