For Immediate release **10 March 2017**

PENNANT INTERNATIONAL GROUP PLC (AIM: PEN)

Preliminary Results for the year ended 31 December 2016

A challenging year which finished strongly;
On track for further significant progress;
Strong order Book; Strengthened Balance Sheet; Divisional and Operational Restructuring

Pennant International Group plc ("Pennant" or "the Group"), the AIM quoted supplier of integrated support solutions, products and services, principally to the defence, rail, aerospace and naval sectors and to Government Departments, announces Preliminary Results for the financial year ended 31 December 2016.

Commenting on the Group's performance, Chairman, Simon Moore in his first Annual Statement to shareholders, said:
"In the Trading Update published in June 2016 the Board stated that, following modest pre-tax profit in the first half, an improvement in trading was expected in the second half of the financial year. I am pleased to confirm that this improvement materialized, delivering a strong result for the full year."

"On 21 February 2017 Chris Snook stepped down from the company. The Board has subsequently appointed Philip Walker as Chief Executive Officer to succeed him having been identified as a potential successor in 2014. This is a key appointment which provides fundamental continuity with the brand, knowledge base and strategy of the business. I am delighted that Philip has agreed to step up to assume the leadership of the Group. He has moved quickly to build a leadership team around him and will be making more key appointments over the coming months."

Summary: Financial

- Group revenues increased 74% to £17.21m (2015: £9.89m);
- Gross profit margin improved substantially to 40% (2015: 23%);
- Profit for the year attributable to shareholders was £1.90m (2015: loss of (£2.38)m);
- Basic earnings per share of 6.48p (2015: loss of (8.71)p);
- Strengthened Balance Sheet: Group net assets at year-end of £11.82m (2015:£6.27m);
- Net cash at year-end of £3.52m (2015: £1.12m); nil borrowings;
- Final dividend suspended; Dividend Policy under review given improved trading;
- Unrelieved tax losses of £2.5m carried forward (2015: £4.7m);
- Year-end Order Book stood at £38m (2015: £38m) of which £18m is deliverable within 12 months;
- Oversubscribed equity placing in August raised £3.56m of new capital (before expenses) at 55p per share; first share issue since 2001;
- Significant investment in commercial property during year with £1m invested in three properties and a further £0.5m post year-end which in aggregate has increased production capacity to over 30,000sq. ft. (2015: 12,000 sq. ft.).

Summary: Operational

Formation of a Management Committee under the leadership of Philip Walker, Chief Executive Officer, to support running the Company day-to-day. Experienced Group Financial Controller appointed Head of Finance with responsibility for all financial functions and appointment of new Company Secretary and in-house legal counsel.

Restructure of Group Operating divisions post year-end. Proposed integration of Support Services Division with existing Information Services Division; will consolidate all contract support functions spread across the Group, resulting in three focused Divisions: Training, Software and Support & Development.

Training:

- Training more than doubled revenues to £12.1m (2015: £4.9m) contributing £1.7m to operating profits (2015: loss of (£2.6)m);
- Secured second phase contract with Middle East customer worth over £7.3m to supply equipment hardware and software plus maintenance support;
- Secured first phase of supply contract with new Middle East customer worth £5.8m to supply equipment training software/hardware and maintenance to aeronautical training college;
- Awarded landmark contract with Lockheed Martin Corporation ("LMC") worth up to £2.2m over 18 months.
- Secured second contract with LMC supporting Rotary Wing Rear Crew Winch Trainer;
- Successful completion of contract with Indian customer for provision of software training;

Software:

- Revenue of £4.3m (2015: £4.0m);
- Operating profit contribution of £0.2m (2015: £0.15m);
- Offices in Canada, Australia and UK; division owns the rights to market leading OmegaPS Logistics Support Analysis software sold world-wide; used by major defence contractors and exclusively by defence authorities in Canada and Australia to support complex long-life assets;
- Re-profiling of strategic single source contract due to run-rate progressing ahead of expected levels. Negotiations commenced to renew contract and increase its value;
- Sale of new licences for use of OmegaPS to Oshkosh Truck Corporation, USA and Fleetway Inc. Canada in support of major defence programmes;

Support & Development: (Division refined and re-named post year-end)

- Revenues for the year of £1.8m (2015: £2.0m) contributing operating loss of £0.10m (2015: operating profit £0.14m);
- On-going contract to provide all Operational, Maintenance and Training Documentation for the R188 Rail Car Project currently being built by Kawasaki Rail Car Inc. for New York City Transit Department;
- Professional services contract with Capgemini UK PLC on behalf of HMRC relating to its Real Time Initiative for PAYE will continue to require a combination of development and ongoing support throughout 2017 and beyond;
- New contract with Network Rail to produce five Electrical Control Room (ECR) Simulators to train Electrical Control room Operators (ECROs);

On current trading and prospects, Mr Moore added:
"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 earnings.

"We have enjoyed a good start to 2017 and anticipate a healthy first half outcome with further good progress being achieved for the year as a whole. Prospects remain very positive, taking into account the contracted Order Book valued at more than £38million which underpins the forward visibility of revenues well into 2019."

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CHAIRMAN'S REVIEW

On behalf of the Board of Directors I am pleased to present to shareholders my first annual results statement as Chairman. In the Trading Update published in June 2016 the Board stated that, following modest pre-tax profit in the first half, an improvement in trading was expected in the second half of the financial year. I am pleased to confirm that this improvement materialised, delivering a strong result for the full year.

During the period under review, a number of significant operational and strategic objectives were achieved, most notably the Company's first equity fund-raising since 2001 by way of an oversubscribed institutional Placing which raised over £3.5million of new share capital before expenses. This followed the earlier announcement in June that the Company had secured work on two major new contracts, both with Middle East customers, which have an aggregate value in excess of £13 million. The success of the share issue and the award of the major contract wins, together with a robust Order Book, positions the Group well for the medium and longer term.

Key financials

For the year ended 31 December 2016, the Group delivered consolidated revenues of £17.21 million (2015: £9.89 million), driven by the commencement of work on the two new major contract awards highlighted above.

The Group posted consolidated operating profit of £1.90 million (2015: operating loss of £2.36 million), reflecting the significant turn-around in trading.

This much improved trading performance, combined with the fundraising, has resulted in a near doubling of the Group's consolidated net assets to £11.92 million (2015: £6.26 million).

Gross profit margin for the period also improved substantially to 40% (2015: 23%) as a result of previously implemented cost controls and changes to the sales mix.

Basic earnings per share of 6.48p also compares very favourably to the reported loss per share of 8.71p for the same period last year.

Cash used in operations amounted to £0.25 million (2015: cash generated £1.1 million), reflecting the phase of production on several major programmes. The Group continues to have nil borrowings with a healthy year-end cash balance of £3.52 million (2015: £1.12 million).

CHAIRMAN'S REVIEW (Continued)

Key financials (continued)
The Group's tax position shows a small tax credit of £17,691 (2015: £72,445), which relates to a refund received by an overseas subsidiary. The Group's effective tax rate is NIL% (2015: NIL%). Profits generated from operations utilised £2.2m of UK tax losses and the Group has unrelieved tax losses carried forward of £2.5m (2015: £4.7m). There were no Research and Development tax credits claimed in the UK during the year (2015: £0.5m).

The year-end order book stood at £38 million (2015: £38 million) of which £18 million (2015: £10 million) is deliverable within one year. Of the total order book, 70% (2015: 70%) is denominated in sterling and 25% (2015: 25%) is denominated in Canadian dollars. Delivery achieved in the second half together with a strong closing order book provides a firm platform for future performance.

Dividends
The Board fully appreciates the importance of maintaining a progressive dividend. However, notwithstanding the much improved trading performance and outlook, positive cash generation and nil net borrowings, the Directors have concluded that it is in the Company's and shareholders' current best interests to retain cash for working capital and investment. The Board will therefore not be recommending the payment of a final dividend for the year ended 31 December 2016.

Governance
The Board believes in robust corporate governance. We have worked closely with our advisors and have reviewed our governance frameworks to ensure that the business continues to establish strong Governance throughout the Group, appropriate for a company of its size. Our risk management procedures continue to be reviewed and tightened where necessary.

Our people
On 21 February 2017 Chris Snook stepped down from the company as CEO.

The Board has appointed Philip Walker as Chief Executive Officer to succeed him having been identified as a potential successor in 2014. This is a key appointment which provides fundamental continuity with the brand, knowledge base and strategy of the business. I am delighted that Philip has agreed to step up to assume the leadership of the Group. He has moved quickly to build a leadership team around him and will be making more key appointments over the coming months.

I would also like to take this opportunity to thank all staff across the Group for their hard work and dedication throughout this transitional year. Their commitment and drive to ensure that the business continues to deliver the high quality solutions that our customers require and expect, operating under tight timescales, are key factors to maintaining and enhancing the ongoing and longstanding relationships we have with our customers.

CHAIRMAN'S REVIEW (Continued)

Outlook

Prospects remain positive, taking into the account the contracted order book valued at more than £38 million which 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.

We are experiencing an encouraging start to 2017 and anticipate a healthy first half outcome and further good progress for the year as a whole.

Approved by the Board on 9 March 2017
And signed on its behalf

S A Moore
Chairman

CHIEF EXECUTIVE REVIEW & STRATEGIC REPORT

Pennant

The Group has a diverse portfolio of capabilities enabling it to offer services that cover training equipment hardware and related support, including simulation, virtual reality and computer based training, plus technical documentation, media development, software development and related consultancy. It operates principally in the defence, rail, power and aerospace sectors and with government departments.

A challenging year behind us – back on track

Following a disappointing first half, brought about largely by contract delays beyond our control, our highest priority was to get back on track during the second half of the year in order to demonstrate that the Group's businesses are fundamentally strong and that they could recover quickly. We remained confident that the contract delays would be resolved and that the Group would deliver a strong performance during the second half of the year, which it did.

Having conducted a thorough review of the business, including risk management and sales process, the Board is satisfied that a number of significant operational and financial changes implemented during the year would enable any similar future exposures to be identified and mitigated at a much earlier stage.

The Board is confident that the underlying strengths of Pennant – our long-term customer relationships, our specialist services and our quality-assured reputation - remain the solid foundation of our offerings across the Group.

Operational changes

The Group has recently formed a Management Committee under the leadership of Philip Walker, Chief Executive Officer. The committee comprises the senior managers and heads of departments across the Group. It will meet monthly to discuss operational matters and will be responsible for supporting the Chief Executive run the Company day-to-day.

Gary Barnes has been appointed Head of Finance. Gary has over 17 years' experience as Group Finance Controller and will be responsible for all day-to-day financial functions in the Group.

The Company has made a formal offer to an individual to join the Group as Company Secretary and in-house legal counsel, which has been accepted. The new Company Secretary will be responsible for ensuring compliance with all regulatory and legal matters. The appointment will add greater depth to our risk management and commercial functions.

Restructuring of Group

Throughout the period under review the Group has operated three trading divisions, namely Training Systems, Software Services and Data Services, with offices in the UK, Canada and Australia.

The Board is always seeking to enhance and improve the strength and operating efficiency of the Group and has taken the opportunity to refine the existing Group structure.

Post year-end, Pennant Information Services Limited has been renamed Pennant Support & Development Services Limited ("PSDSL"). The Board's intention is to integrate the Support Services Division with the existing Information Services Division. The practical effect of this will be to consolidate in one operating unit the contract support functions currently spread across the Group and is expected to transfer approximately £2 million of revenue to PSDSL. This will result in the Group operating three focused divisions, Training, Software and Support and Development.

Strengthening the balance sheet

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 new contracts. These contracts, both with Middle East customers, have an aggregate value in excess of £13 million. Having considered the working capital requirements of the 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 fundraising. This was successfully concluded with an oversubscribed institutional placing of 1,527,739 treasury shares and 4,943,533 new ordinary shares at 55 pence per share which raised in aggregate £3.56 million for the Company before expenses.

Investment for the future

During the year the Company also announced that it had taken possession of three commercial premises at Staverton Connection Business Park, Cheltenham, adjacent to the Group's Head Office, representing a total investment of over £1 million in new facilities.

Post period end, the Company took possession of two additional new commercial premises at the same location, investing a further £500,000 in new facilities. Together these new premises increase the Groups production capacity to over 30,000 sq. ft. (2015: 12,000 sq. ft.) and will facilitate significant expansion and growth.

Divisional performance

The Group delivered a very solid performance during the second half of the year, demonstrating an ability to convert major contract wins into both revenue and profit. Most positively we have been able to meet contractual milestones, delivering on time and securing payment.

Training Systems Division

The Training Systems Division continues to be the main driver within the Group. Revenues for the year were strong at £12.1 million (2015: £4.9 million) as a direct result of key contract awards highlighted above.

	2016	2015
	£m	£m
Revenue	**12.08**	4.85
Gross margin contribution	**4.99**	0.55
Divisional contribution	**1.69**	(2.66)

The Division delivers and supports specialist training systems based on software emulation, hardware simulation, virtual reality and computer based training, principally within the defence sector. It has a strong portfolio of proven training devices ranging from simple hand skill trainers to sophisticated simulators. It also has a track record of successfully designing and manufacturing bespoke new devices for specific applications.

The Division has significant ongoing orders that will provide work through 2017 and beyond and there are further prospects with both existing and new customers regarding a number of opportunities. Although the timing of major contract awards has proved to be both difficult to predict and beyond the Group's control, the Board considers that a number of factors point towards significant potential for further growth:

- new capital equipment platforms are becoming more sophisticated and complex thereby increasing the requirement for training;
- the use of 'real' equipment for training has safety implications, is expensive and often impractical;
- there is a continuing trend for defence forces to outsource training services, including updating their training devices; and
- increase in global defence expenditure.

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

- Secured second phase contract with undisclosed Middle East 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 East 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 a 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 Flying Training System (UKMFTS). The RCWT is a cabin representation 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.

Software Services Division

The Division has offices in Canada, Australia and the UK. It owns the rights to the market leading OmegaPS suite of Logistics Support Analysis software which is sold and used worldwide by major defence contractors and exclusively by the defence authorities in Canada and Australia to maximize efficient logistics support to complex long-life equipment asset fleets.

Revenues are generated from the sale of licences, associated maintenance agreements, software training course and consultant services in support of the product implementation. The product is regularly updated to enhance functionality, keep in line with emerging industry standards and changing technology. Regular updates are issued to users.

The Division achieved revenues of £4.3 million (2015: £4.0 million), an increase of 7.5% on the prior year. This increase has been driven by strong growth in consultancy revenues, in particular by the use of OmegaPS on some major long term capital programmes and the recent re-profiling of the CAN$19.7 million Canadian Department of Defence specialist consultant support contract which is now fully operational and expected to grow through 2017 and beyond.

The contribution to Group operating profit increased to £205,288 (2015: £149,110). This growth has been driven by increased consultant activity.

	2016	2015
	£m	£m
Revenue	**4.33**	4.00
Gross margin contribution	**1.42**	1.13
Divisional contribution	**0.21**	0.15

The main contracts and operational highlights contributing to trading during the year were:

- Re-profiling of strategic single source contract due to run rate progressing ahead of expected levels. Early discussions have commenced to renew the contract and increase its value;

- Sale of new licences for the use of the Group's Integrated Logistics Support Software product, OmegaPS, to Oshkosh Truck Corporation, USA and Fleetway Incorporated, Canada in support of major defence programmes.

Support & Development Division

As mentioned above, the Board is committed to enhancing the strengths and capabilities of the Group and has taken the opportunity to refine the Group structure. On 6th January 2017 Pennant Information Services Limited ("PISL") was renamed Pennant Support & Development Services Limited ("PSDSL").

The intention is to integrate the Support Services Division with the existing Information Services Division. The practical effect of this will be to consolidate in one operating unit the contract support functions currently spread across the Group and is expected to transfer approximately £2 million of revenue to PSDSL. This will result in the Group operating three divisions, Software, Support and Development, and Training.

The Support area of the division provides bespoke service support solutions in the form of integrated logistical hardware, software and post design services support to its customers through long term contract agreements.

The Development element of division represents the historic PISL business which provides high quality media, graphics, virtual reality software and technical documentation to the defence, rail, power and government sectors. Revenues for the year were lower at £1.8 million (2015: £2.0 million) which resulted in an operating loss of £94,759 (2015: £138,138 loss). This was largely the result of a delay in the award of a rail contract which is expected to be secured during the first half of the current year and which will contribute to current year performance.

	2016	2015
	£m	£m
Revenue	**1.78**	2.04
Gross margin contribution	**0.56**	0.62
Divisional contribution	**(0.10)**	(0.14)

The main contracts and operational highlights contributing to trading during the year were:

- An on-going contract to provide all Operation, Maintenance and Training Documentation for the R188 Rail Car Project currently being built by Kawasaki Rail Car Inc. for New York City Transit Department;
- A continuing contract with Capgemini UK PLC for the development for Her Majesty's Revenue and Customs (HMRC) of a Basic PAYE Tools (BPT) product as a multi-platform, client side application that operates in unison with HMRC's Real Time Initiative for PAYE; and
- A new contract with Network Rail to produce five Electrical Control Room (ECR) simulators to train Electrical Control Room Operators (ECO's).

The Division has many years' experience in the rail sector and is pursuing a number of significant opportunities in USA and the Far East.

Our people and recruitment

Our employees remain core to our future business success. During 2016 we saw growth in the size of our teams in our UK, Canadian and Australian operations attracting talented and specialist skills across the Group. The Group's employees have diverse experience and educational, professional and cultural backgrounds. They have responded exceptionally well to the challenges presented during the year and the Group's strong reputation and longstanding relationships with many of its customers are the measure of their success.

Future strategy

Our core strategic objective remains largely unchanged; consistently applying a strategy across the Group of increasing shareholder value primarily through organic growth. This strategy is built upon:

Customer focus	Building relationships with existing and potential new customers, understanding their requirements, being flexible and delivering on time and to budget.
Innovation	Developing new capabilities by applying newly developed and existing, proven technologies and continually updating existing products and services to meet market demands, current standards and new technologies.
Diversification	Pursuing opportunities in closely related sectors and in particular those with potential long term revenue streams. It is the Board's intention to augment organic growth by taking advantage of potential opportunities which may arise for complementary, earnings enhancing acquisitions.

This strategy continued to be implemented throughout 2016 and generated considerable tendering activity, particularly for Training Systems, and regular involvement with customers in respect of a strong pipeline of opportunities.

New growth initiatives have been launched with the aim of extending sales penetration beyond traditional territories and significant investment is planned in developing new product offerings, exploiting gaps in the market wherever possible.

We will continue to monitor currency fluctuations however notwithstanding current economic uncertainty surrounding the formal commencement of the UK's exit from the EU, the Group has not yet detected any loss of confidence from its global customer base.

At the same time we will look to complement our organic growth strategy by pursuing opportunities for strategic acquisitions, carefully considering expanding our capabilities and service offering.

Approved by the Board on 9 March 2017
and signed on its behalf

P. H. Walker
Director

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016	2015
Continuing operations		**£**	£
Revenue		**17,211,455**	9,892,685
Cost of sales		(10,249,472)	(7,591,942)
Gross profit		**6,961,983**	2,300,743
Administrative expenses		**(5,057,374)**	(4,658,145)
Operating profit/(loss)		**1,904,609**	(2,357,402)
Finance costs		**(9,051)**	(25,682)
Finance income		**7,781**	4,905
Profit/(loss) before taxation		**1,903,339**	(2,378,179)
Taxation credit	1	**17,691**	72,445
Profit/(loss) for the year attributable to the equity holders of the parent		**1,921,030**	(2,305,734)
Earnings per share			
Basic		**6.48p**	(8.71)p
Diluted		**6.06p**	(8.71)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	£	£
Profit/(loss) for the year attributable to the equity holders of the parent	**1,921,030**	(2,305,734)
Other comprehensive income: *Items that will not be reclassified to profit and loss*		
Property impairment	**(276,212)**	-
Deferred tax	**46,956**	-
Items that may be reclassified to profit or loss Exchange differences on translation of foreign operations	**413,469**	(132,558)
Total comprehensive income for the period attributable to the equity holders of the parent	**2,105,243**	(2,438,292)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

	2016	2015
	£	£
Non-current assets		
Goodwill	**964,159**	929,606
Other intangible assets	**295,780**	566,822
Property, plant and equipment	**2,642,448**	2,707,326
Available-for-sale investments	**-**	3,700
Deferred tax assets	**482,989**	530,622
Total non-current assets	**4,385,376**	4,738,076
Current assets		
Inventories	**-**	29,854
Trade and other receivables	**7,820,128**	3,743,435
Cash and cash equivalents	**3,517,541**	1,123,456
Asset held for sale	**575,000**	-
Total current assets	**11,912,669**	4,896,745
Total assets	**16,298,045**	9,634,821
Current liabilities		
Trade and other payables	**3,824,925**	2,657,910
Current tax liabilities	**1,610**	123,465
Obligations under finance leases	**4,070**	13,761
Deferred revenue	**162,500**	174,168
Total current liabilities	**3,993,105**	2,969,304
Net current assets	**7,919,564**	1,927,441
Non-current liabilities		
Obligations under finance leases	**31,957**	8,424
Deferred revenue	**18,403**	-
Deferred tax liabilities	**287,625**	391,857
Warranty provisions	**150,000**	-
Total non-current liabilities	**487,985**	400,281
Total liabilities	**4,481,090**	3,369,585
Net assets	**11,816,955**	6,265,236
Equity		
Share capital	**1,649,277**	1,402,100
Share premium account	**2,685,971**	8,400
Capital redemption reserve	**200,000**	200,000
Treasury shares	**-**	(418,225)
Retained earnings	**6,347,343**	4,230,206
Translation reserve	**417,067**	3,598
Revaluation reserve	**517,297**	839,157
Total equity	**11,816,955**	6,265,236

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Share Premium (see below)	Capital redemption reserve (see below)	Treasury shares (Note 29)	Retained earnings	Translation reserve (see below)	Revaluation reserve (see below)	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)
Total comprehensive income	1,401,400	5,600	200,000	(418,225)	4,901,869	3,598	884,805	6,979,047
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 1 January 2016	1,402,100	8,400	200,000	(418,225)	4,230,206	3,598	839,157	6,265,236
Profit for the year	-	-	-	-	1,921,030	-	-	1,921,030
Other comprehensive income	-	-	-	-	-	413,469	(276,212)	137,257
Total comprehensive income	1,402,100	8,400	200,000	(418,225)	6,151,236	417,067	562,945	8,323,523
Issue of ordinary shares	247,177	2,677,571	-	`418,225	-	-	-	3,342,973
Recognition of share based payment	-	-	-	-	103,503	-	-	103,503
Deferred tax on revaluation loss	-	-	-	-	46.956	-	-	46,956
Transfer from revaluation reserve	-	-	-	-	45,648	-	(45,648)	-
At 31 December 2016	**1,649,277**	**2,685,971**	**200,000**	**-**	**6,347,343**	**417,067**	**517,297**	**11,816,955**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016**	2015
		£	£
Net cash from operations		**(249,248)**	1,097,287
Investing activities			
Interest received		**7,781**	4,905
Purchase of intangible assets		**(28,438)**	(30,413)
Purchase of property, plant and equipment		**(1,086,896)**	(18,367)
Proceeds from sale of motor vehicles		**12,491**	-
Proceeds from sale of available-for-sale investments		**4,314**	-
Net cash used in investing activities		**(1,090,748)**	(43,875)
Financing activities			
Issue of C shares		**-**	3,500
Dividends paid		**-**	(794,168)
Proceeds from sale of ordinary shares		**3,342,973**	-
Net funds from obligations under finance leases		**13,842**	(11,600)
Net cash used in financing activities		**3,356,815**	(802,268)
Net increase in cash and cash equivalents		**2,016,819**	251,144
Cash and cash equivalents at beginning of year		**1,123,456**	1,068,632
Effect of foreign exchange rates		**377,266**	(196,320)
Cash and cash equivalents at end of year		**3,517,541**	1,123,456

ABBREVIATED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FORTHE YEAR ENDED 31 DECEMBER 2016

1	**Taxation**	**2016**	2015
		£	£
	Recognised in the income statement		
	Current UK tax expense	**3,511**	-
	Foreign tax	**64,657**	113,334
	In respect of prior years	**(82,156)**	107,959
		(13,988)	221,293
	Deferred tax expense relating to origination and reversal of temporary differences	**17,720**	(256,627)
	Effect of tax rate change on opening balance	**(21,423)**	(37,111)
	Total tax expense	**(17,691)**	(72,445)

Reconciliation of effective tax rate

Profit/(loss) before tax	**1,903,328**	(2,378,179)
Tax at the applicable rate of 20% (2015: 20.25%)	**380,666**	(481,582)
Tax effect of expenses not deductible in determining taxable profit	**57,418**	48,897
Additional deduction for R&D expenditure	**-**	(152,405)
Tax effect of utilisation of losses not previously recognised	**-**	(1,423)
Foreign tax credits	**29,265**	76,500
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,437**	7,770
Effect of change of deferred tax rate	**(33,529)**	53,217
Losses arising not recognised in deferred tax	**-**	287,222
Utilisation of unrecognised deferred tax	**(367,922)**	-
Effect of adjustments for prior years	**(82,156)**	101,068
Other differences	**(5,870)**	(11,709)
Total tax expense	**(17,691)**	(72,445)

2 Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in the Companies Act 2006.

The statement of financial position at 31 December 2016 and income statement, statement of changes in equity, statement of cash flows and associated notes for the year ended have been extracted from the Company's 2016 financial statements upon which the auditor opinion is unqualified.

Copies of the 2016 Annual Report and Accounts will be sent to shareholders shortly and will be available on the Company's website at www.pennantplc.co.uk. Further copies may be obtained by contacting the Company Secretary at Pennant Court, Staverton Technology Park, Cheltenham, Gloucestershire, GL51 6TL.