



3 September 2012

**Pennant International Group plc**  
**Interim Results for the six months ended 30 June 2012**

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 2012.

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

“I am pleased to announce a significant improvement in profits throughout the Group.

“Both the Training Systems and the Data Services divisions have been working on major contracts and there has been growth in consultancy revenues in the Software Services division.

“The pipeline continues to be strong and active with opportunities for new orders this year and in the medium term.”

**Highlights: Financial**

- Group revenues for the period increased 43% to £7.10 million (2011: £4.96 million);
- Profit before tax increased 178% to £755,028 (2011: £271,789);
- Profit attributable to equity holders increased 189% to £583,028 (2011: £201,789) after full tax charge of £172,000 (2011: £70,000 charge);
- Basic earnings per share increased 207% to 2.21 pence (2011: 0.72 pence);
- Net cash at period end of £2.06 million (2011: £0.70 million);
- Interim dividend increased by 20% to 0.60 pence per share (2011: 0.50 pence per share);

**Highlights: Operational**

- Development of Lynx Wildcat helicopter Maintenance Training Equipment project with Augusta Westland;
- Collaboration with BAE Systems Australia and Royal Melbourne Institute of Technology in a tender for a major contract to provide aviation training to the Australian Defence Force with potential to run for 20 years;
- Upgrade and extension of Virtual Reality Parachute Trainer capability;
- Extension of agreement with Capgemini UK on HMRC data project;
- Development of technical manuals and training programmes for global gas turbine and rolling stock projects;
- Client list includes: Augusta Westland, BAE Systems, Australian Defence Force, RAF, MOD, Capgemini, Alstom Power, Canadian Department of National Defence, Babcock Canada Inc, Rheinmetall MAN Military Vehicles.

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

“The outlook continues to give your Board confidence for the future. The pipeline of opportunities is active, there are major existing contracts providing work through 2013 and well established revenue streams from consultancy and support contracts. The cash position is good and the balance sheet strong.”

**Enquiries:**

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**Pennant International Group plc**  
**Interim Report for the six months ended 30 June 2012**

**Chairman's Statement**

I am pleased to announce a significant improvement in profits throughout the Group.

Both the Training Systems and the Data Services divisions have been working on major contracts and there has been growth in consultancy revenues in the Software Services division.

The pipeline continues to be strong and active with opportunities for new orders this year and in the medium term.

**Results**

Turnover for the half year increased by 43% to £7.10 million (Interim 2011: £4.96 million) and operating profits increased by 178% to £755,003 (Interim 2011: £271,789). After a taxation charge of £172,000 (Interim 2011: £70,000) earnings were £583,028 an increase of 189% (Interim 2011: £201,789). Basic earnings per share were 2.21p (Interim 2011: 0.72p).

Cash generated from operations was £280,392 (Interim 2011: £266,886) reflecting the unwinding of advance payments on contracts received during the second half of 2011. At the period end, net funds were £2.06 million (Interim 2011: £0.70 million). The Group has no borrowings.

Your Board is declaring the payment of an interim cash dividend of 0.60p per share (Interim 2011: 0.50p). The dividend will be paid on 27 September 2012 to shareholders on the register at close of business on 14 September 2012. The shares are expected to go ex-dividend on 12 September 2012.

**Operational Review**

The principal activities and achievements in the period include:

- Extensive work in the design and production phase of the contract with Agusta Westland for Maintenance Training Equipment ('MTE') for the AW 159 Lynx Wildcat helicopter. The MTE is scheduled to go into service during next year and the contract is expected to provide further significant revenues throughout 2012 and 2013.
- A teaming arrangement with BAE Systems Australia and the Royal Melbourne Institute of Technology to provide a leading-edge aviation technical training capability to the Australian Defence Force ('ADF'). A tender has been submitted by the team in the competition for a five year contract, commencing in December 2012 with the scope to extend to twenty years. If successful, Pennant will supply training equipment, computer based training and related support into the project. It is expected that more than 950 students per year will be trained at the Royal Australian Air Force Base in Wagga, New South Wales.
- Continued expansion of work in virtual reality training equipment including:

- an upgrade to the capability of the Virtual Reality Parachute Trainer ('VRPT'), previously supplied to RAF Brize Norton;
  - the design and production of a deployable version of the VRPT; and
  - a new contract for the upgrading of the Synthetic Environment Procedures Trainer previously supplied to RAF Cosford. This trainer is used to instruct students in the correct marshalling of aircraft.
- Successful completion of the seven year contract with BAE Systems for computer based training and emulations in support of their sale of Hawk aircraft to India.
  - Extension to March 2013 of agreements with the MOD for the support of training aids at MOD establishments. These contracts are to be combined with similar contracts run by other contractors and the new combined contract is to be competitively tendered. As stated in my statement in the 2011 Annual Report, this is both a risk and a significant opportunity.
  - An increase in the level of services under an agreement with Capgemini UK PLC in connection with the introduction by Her Majesty's Revenue and Customs of Real Time Information into the PAYE process.
  - On-going production for Alstom Power of the technical manuals for the auxiliary systems for the GT24 gas turbine supplied to the El Sauz power plant in Mexico.
  - Progress on a major rail sector contract to supply manuals and training to a major programme for supply of rolling stock.
  - Continued and increasing revenues from the consultancy agreement with the Canadian Department of National Defence for support to maximise their effective use of OmegaPS.
  - Revenues arising from a contract with Babcock Canada Inc. in support of Royal Canadian Navy projects. This agreement has options to continue out to 2015.
  - Sale of a web enabled OmegaPS system to Rheinmetall MAN Military Vehicles.

## **Outlook**

The outlook continues to give your Board confidence for the future. The pipeline of opportunities is active, there are major existing contracts providing work through 2013 and well established revenue streams from consultancy and support contracts. The cash position is good and the balance sheet strong.

C C Powell

Chairman

**PENNANT INTERNATIONAL GROUP plc**  
**CONSOLIDATED INCOME STATEMENT** for the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
		Unaudited	Unaudited	Audited
		£	£	£
Revenue		7,099,457	4,963,351	10,353,534
Cost of sales		(4,458,912)	(2,954,350)	(6,254,383)
<b>Gross profit</b>		<b>2,640,545</b>	<b>2,009,001</b>	<b>4,099,151</b>
Administrative expenses		(1,885,542)	(1,730,085)	(3,392,049)
<b>Operating profit</b>		<b>755,003</b>	<b>278,916</b>	<b>707,102</b>
Finance costs		(1,031)	(7,152)	(10,598)
Finance income		1,056	25	600
<b>Profit before taxation</b>		<b>755,028</b>	<b>271,789</b>	<b>697,104</b>
Taxation	2	(172,000)	(70,000)	(145,925)
<b>Profit for the period</b>		<b>583,028</b>	<b>201,789</b>	<b>551,179</b>
Earnings per share	3			
Basic		2.21p	0.72p	1.99p
Diluted		2.18p	0.70p	1.97p

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the six months ended 30 June 2012

		Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
		Unaudited	Unaudited	Audited
		£	£	£
Profit attributable to equity holders of the parent		583,028	201,789	551,179
Other comprehensive income:				
Exchange differences on translation of foreign operations		(10,936)	6,351	(10,433)
<b>Comprehensive income attributable to equity holders of the parent</b>		<b>572,092</b>	<b>208,140</b>	<b>540,746</b>

**PENNANT INTERNATIONAL GROUP plc**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** as at 30 June 2012

	30 June 2012	30 June 2011	31 December 2011
	Unaudited	Unaudited	Audited
	£	£	£
<b>Non-current assets</b>			
Goodwill	991,018	996,952	992,044
Other intangible assets	104,539	69,865	126,622
Property plant and equipment	1,782,213	1,792,534	1,791,413
Available-for-sale investments	3,700	3,700	3,700
Deferred tax asset	90,864	166,187	96,880
<b>Total non-current assets</b>	<b>2,972,334</b>	<b>3,029,238</b>	<b>3,010,659</b>
<b>Current assets</b>			
Inventories	13,340	9,340	13,340
Trade and other receivables	4,055,574	2,703,983	2,802,780
Cash and cash equivalents	2,074,904	853,753	2,343,105
<b>Total current assets</b>	<b>6,143,818</b>	<b>3,567,076</b>	<b>5,159,225</b>
<b>Total assets</b>	<b>9,116,152</b>	<b>6,596,314</b>	<b>8,169,884</b>
<b>Current liabilities</b>			
Trade and other payables	3,473,119	1,280,398	2,757,472
Current tax liabilities	178,898	12,000	6,953
Obligations under finance leases	13,201	17,596	15,279
Bank loan	-	137,208	-
Deferred revenue	321,560	321,452	352,324
<b>Total current liabilities</b>	<b>3,986,778</b>	<b>1,768,654</b>	<b>3,132,028</b>
<b>Net current assets</b>	<b>2,157,040</b>	<b>1,798,422</b>	<b>2,027,197</b>
<b>Non current liabilities</b>			
Deferred tax liabilities	116,342	122,537	132,342
Deferred revenue	19,786	4,917	28,465
<b>Total non-current liabilities</b>	<b>136,128</b>	<b>127,454</b>	<b>160,807</b>
<b>Total liabilities</b>	<b>4,122,906</b>	<b>1,896,108</b>	<b>3,292,835</b>
<b>Net assets</b>	<b>4,993,246</b>	<b>4,700,206</b>	<b>4,877,049</b>
<b>Equity</b>			
Share capital	1,400,000	1,475,000	1,400,000
Capital redemption reserve	200,000	125,000	200,000
Treasury shares	(351,341)	(439,321)	(191,214)
Retained earnings	3,368,005	3,135,225	3,080,745
Translation reserve	376,582	404,302	387,518
<b>Total equity</b>	<b>4,993,246</b>	<b>4,700,206</b>	<b>4,877,049</b>

**PENNANT INTERNATIONAL GROUP plc**  
**CONSOLIDATED STATEMENT OF CASH FLOWS** for the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
		Unaudited	Unaudited	Audited
		£	£	£
<b>Net cash generated from operating activities</b>	4	280,392	266,886	2,217,399
<b>Investing activities</b>				
Interest received		1,056	25	600
Purchase of intangible assets		(5,765)	(17,802)	(94,220)
Purchase of property plant and equipment		(72,352)	(80,379)	(155,800)
<b>Net cash used in investing activities</b>		<b>(77,061)</b>	<b>(98,156)</b>	<b>(249,420)</b>
<b>Financing activities</b>				
Dividends paid		(264,224)	(273,888)	(409,083)
Transactions in own shares		(195,785)	(358,245)	(381,559)
Repayment of borrowings		-	(96,161)	(233,369)
Repayment of obligations under finance leases		(2,078)	(2,583)	(4,900)
<b>Net cash used in financing activities</b>		<b>(462,087)</b>	<b>(730,877)</b>	<b>(1,028,911)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(258,756)</b>	<b>(562,147)</b>	<b>939,068</b>
Cash and cash equivalents at beginning of period		2,343,105	1,414,759	1,414,759
Effect of foreign exchange rates		(9,445)	1,141	(10,722)
<b>Cash and cash equivalents at end of period</b>		<b>2,074,904</b>	<b>853,753</b>	<b>2,343,105</b>

**PENNANT INTERNATIONAL GROUP plc**  
**STATEMENT OF CHANGES IN EQUITY** for the six months ended 30 June 2012

	Share capital	Capital Redemption reserve	Treasury shares	Retained earnings	Translation reserve	Total equity
	£	£	£	£	£	£
At 1 January 2011	1,475,000	125,000	(81,076)	3,205,824	397,951	5,122,699
Total comprehensive income for the year	-	-	-	551,179	(10,433)	540,746
Capital reduction	(75,000)	75,000	271,421	(271,421)	-	-
Purchase of treasury shares	-	-	(381,559)	-	-	(381,559)
Recognition of share based payment	-	-	-	4,246	-	4,246
Dividends paid	-	-	-	(409,083)	-	(409,083)
At 31 December 2011	1,400,000	200,000	(191,214)	3,080,745	387,518	4,877,049
Total comprehensive income for the half year	-	-	-	583,028	(10,936)	572,092
Dividends paid	-	-	-	(264,224)	-	(264,224)
Transactions in treasury shares	-	-	(160,127)	(35,658)	-	(195,785)
Share based payment	-	-	-	4,114	-	4,114
<b>At 30 June 2012</b>	1,400,000	200,000	(351,341)	3,368,005	376,582	4,993,246



**PENNANT INTERNATIONAL GROUP plc**  
**NOTES TO THE FINANCIAL INFORMATION** for the six months ended 30 June 2012

**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 2012. These are anticipated to be consistent with those applied in the Group's latest annual audited financial statements for the year ended 31 December 2011. 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 2011 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 2012.

**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 30 June 2012</b>	<b>Six months ended 30 June 2011</b>	<b>Year ended 31 December 2011</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Earnings</b>			
Net profit attributable to equity shareholders	583,028	201,789	551,179
<b>Number of shares</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares	26,326,969	28,115,886	27,672,928
Diluting effect of share options	406,702	720,000	310,278
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	26,733,671	28,835,886	27,983,206

#### 4. Cash generated from operations

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
	£	£	£
Profit for the period	583,028	201,789	551,179
Finance income	(1,056)	(25)	(600)
Finance costs	1,031	7,152	10,598
Income tax expense	172,000	70,000	145,925
Share-based payment	4,114	1,500	4,246
Depreciation charge	108,951	87,044	183,549
<b>Operating cash flows before movement in working capital</b>	<b>868,068</b>	<b>367,460</b>	<b>894,897</b>
Increase in receivables	(1,252,794)	(315,244)	(414,041)
Decrease in inventories	-	35,035	31,035
Increase in payables	715,647	232,812	1,709,886
(Decrease)/increase in deferred revenue	(39,443)	(19,094)	35,326
<b>Cash generated from operations</b>	<b>291,478</b>	<b>300,969</b>	<b>2,257,103</b>
Tax paid	(10,055)	(26,931)	(29,106)
Interest paid	(1,031)	(7,152)	(10,598)
<b>Net cash generated from operations</b>	<b>280,392</b>	<b>266,886</b>	<b>2,217,399</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.