COMPANY NUMBER: 3187528

PENNANT INTERNATIONAL GROUP PLC

FINANCIAL STATEMENTS

31 DECEMBER 2014

PENNANT INTERNATIONAL GROUP PLC

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

Directors	C C Powell C Snook J K Powell P H Walker	(Chairman) (Chief Executive) (Non-executive)
Secretary	P H Walker	(Appointed 3 November 2014)
Registered office	Pennant Court Staverton Technology Park Cheltenham Gloucestershire GL51 6TL	
Company number	3187528	
Auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD	
Bankers	Barclays Bank Plc Bridgewater House Finzels Reach Counterslip Bristol BS1 6BX	
Nominated Adviser and Broker	W H Ireland Ltd 4 Colston Avenue Bristol BS1 4ST	

CHAIRMAN'S REVIEW AND STRATEGIC REPORT

I am pleased to report that 2014 has been another year of sustained progress, maintaining the trading momentum experienced over the last three years. The Group delivered significantly enhanced earnings and a strengthened balance sheet, enabling the directors to recommend an 11% increase in the final dividend per share.

Results and Dividend

Profit for the year increased by 76% to £2.98 million (2013: £1.70 million) having been enhanced by the successful claim of Research and Development tax credits amounting to £1.3 million across the Group in respect of financial years 2012 to 2014. This has resulted in significantly enhanced earnings per share of 11.32p (2012: 6.43p).

Consolidated net assets have increased by 52% to £9.42 million (2013: £6.19 million). This strengthening of the net asset position resulted from a revaluation of the Group's land and buildings (£1.1 million uplift) and the earnings enhancement.

Consolidated revenues were marginally lower at £17.98 million (2013: £18.68 million).

Group operating margins were maintained at 12.2% (2013: 12.1%) demonstrating a well-controlled cost base.

Cash generated from operations amounted to £1.69 million (2013: £0.17 million) reflecting the improved working capital position and the positive impact of the receipt of contracted stage payments on major contracts.

The Group has unrelieved tax losses of £3 million carried forward into 2015.

Your Board is recommending the payment of a final cash dividend of 2.0p per share, bringing the total dividend for the year to 2.9p per share which is covered 5.0 times by earnings and represents an increase of 12% over the previous year. The final dividend is payable on 1 May 2015 to shareholders on the register at the close of business on 17 April 2015. The ex-dividend date will be 16 April 2015.

About Pennant

Pennant International Group plc ('the Group') has a diverse portfolio of capabilities enabling it to offer services that cover training equipment and related support, technical documentation, media development, software development and related consultancy. It operates principally in the defence, rail, and aerospace sectors and with government departments.

The Group operates as three trading divisions and has offices in the UK, Australia and Canada.

Strategy

The Board has consistently applied a successful strategy across the Group of increasing shareholder value 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.

This strategy continues to be successful and during 2014 has generated considerable tendering activity, particularly for Training Systems, and regular involvement with customers in respect of a strong pipeline of opportunities.

Training Systems Division

Training Systems Division continues to be the main driver within the Group. Revenues for the year were marginally below anticipated levels at £12.2 million (2013: £12.6 million). This reduction arose due to a contract that had been expected to be awarded in 2014 being deferred into 2015.

The Division provides and supports specialist training systems based on software emulation, hardware simulation, virtual reality and computer based training principally in 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 new devices for specific applications.

There are significant ongoing orders that provide work through 2015 and beyond and active involvement with existing and new customers for a number of major opportunities. Although the timing of major contracts is difficult to predict and beyond the Group's control, the Board considers that a number of factors suggest that there is 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; and
- there is a continuing trend for defence forces to outsource training services including updating their training devices.

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

- A contract worth £1.6m was secured to supply a suite of training aids to the Military Technological College, Oman. All training devices were manufactured, delivered and accepted in 2014
- A contract with a value of £1.7m was secured with Agustawestland to provide an upgrade program to the Wildcat training devices delivered in 2013 and 2014.
- Ongoing manufacture of a number of training devices for BAE Systems Australia Limited as part of a £16m contract. Work will continue through 2015 to deliver the training devices to the end user. This is due to be achieved during the second quarter of 2015. The Company has begun operating the contract to support the devices in service which is renewable on an annual basis for a five year rolling period.
- The Company has begun operating the contract to support the devices in service which is renewable on an annual basis for a five year rolling period.
- Successful completion and delivery of the Wildcat maintenance training equipment under the terms of a £12.5m contract completed in 2014.
- Successful completion of the six month performance phase of the leading edge Parachute Flight Simulator to a far-eastern customer.
- Successful on schedule delivery and acceptance of a software-based training capability to an Indian customer.

Software Services Division

The Division has offices in Canada, Australia and the UK. It owns the rights to the market leading OmegaPS suite of software which is sold world-wide and used by major defence contractors and by the defence authorities in Canada and Australia to support complex long-life assets.

Revenues are generated from the sale of licenses, associated maintenance agreements and consultancy. The product is regularly updated to keep in line with industry standards and changing technology. Regular updates are issued to users.

The Division has had a successful year with revenues increasing by 7% to £4.6 million (2013: £4.3 million). The contribution to Group operating profit reduced to £332,000 (2013: £435,000). The reduction has arisen mainly from a reallocation of centralised administrative costs.

In September 2014 the renewal of the existing contract with the Canadian Department of National Defence (DND) to provide specialist consultant support to maximise use of OmegaPS within the DND was secured. The CA$19.7 million contract is for an initial two year term through to September 2016 with three additional one year extension options.

In Australia, the Division is in the process of negotiating a multi-year contract extension to the current contract with the Australian Department of Defence, Defence Materiel Organisation to support OmegaPS.

Data Services Division

The Data Services Division provides high quality media, graphics, virtual reality software and technical documentation to the defence, rail, power and government sectors. Revenues and operating profits for the year were lower at £2.4 million (2013: £2.95 million) and £21,000 (2013: £307,000) respectively. This is largely a result of a delay in the award of a significant contract which is now expected to contribute to current year performance.

The main contracts 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;
- an on-going 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 contract with EDF to design and build a second generation simulator for teaching Basic Substation Switching Principles.

The Division has many years' experience in the rail sector and is actively involved with a number of noteworthy opportunities in USA and the Far East.

People

The Group has staff with diverse experience and educational, professional and cultural backgrounds. They have responded 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.

Outlook

The strategy followed consistently over the last five years has been successful in achieving its goal of significantly increasing shareholder value and this strategy will be continued. Over this period a number of major contracts have been won and completed to the satisfaction of our customers, enhancing the Group's profile and reputation. As a result, the Group is currently actively involved in a number of significant opportunities with existing and prospective customers.

The Board looks forward to further progress across the Group in the current year, with an anticipated weighting towards the second half. The forward visibility of the order book also provides additional confidence in Group revenues for 2015 and beyond.

Approved by the Board on 16 March 2015
and signed on its behalf

C C Powell
Chairman

DIRECTORS' REPORT **COMPANY NUMBER: 3187528**

The directors present their report and the audited financial statements for the year ended 31 December 2014.

Principal activities
The principal activity of the Company is the provision of management services to the Group.

The principal activity of Group companies during the year was the delivery of integrated logistic support solutions. These comprise simulation, virtual reality and computer based training systems, technical documentation, software solutions and Logistic Support Analysis Software to customers worldwide; principally those in defence and aerospace, but also in rail transport, oil and gas, power, information technology and to government departments.

Details on future developments and research and developments activities are included in the Chairman's Review and Strategic Report.

Dividends
Dividends totalling £710,700 were paid during the year (2013: £581,110). The Board is recommending payment of a final cash dividend of 2.00p per share.

Going concern
The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion the directors have considered the financial position of the Group, its cash, liquidity position and borrowing facilities together with its forecasts and projections for 18 months from the reporting date that take into account reasonably possible changes in trading performance. The going concern basis of accounting has therefore continued to be adopted in preparing the financial statements.

Treasury operations and financial instruments
The Group operates a centralised treasury function which is responsible for managing liquidity, interest and foreign currency risks associated with the Group's activities.

The Group's principal financial instrument is cash, the main purpose of which is to provide finance for the Group's operations. In addition the Group has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations.

In accordance with the Group's treasury policy, derivative instruments are not entered into for speculative purposes.

The Group's approach to capital and financial risk management is set out in note 34 to the Consolidated Financial Statements.

Employees

Employees are kept informed on matters affecting them and made aware of the general financial economic factors influencing the Group which operates a systematic approach to employee communication through regular briefings, meetings and internal communications.

The Group is an equal opportunities employer and applications from disabled persons are fully and fairly considered, having regard to the aptitudes of the applicant. In the event of disability, every effort is made to ensure that employment continues and appropriate training, career development and promotion of disabled people should, as far as possible, be identical to that of other employees.

Authority for company to purchase its own shares

Under a shareholders’ resolution of 10 April 2014, the directors were granted authority to purchase through the market 3,948,339 of the Company’s ordinary shares, at a maximum price equal to 105% of the average of the middle market quotations for an ordinary share taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the purchase. Since 10 April 2014 the directors have purchased through the market NIL ordinary shares for Treasury and have remaining authority to purchase 3,948,339 ordinary shares.

A proposal to renew the authority will be made at the 2015 AGM.

Directors and their interests

The following directors have held office since 1 January 2014 except where indicated otherwise and their beneficial interests in the ordinary shares of the Company were stated below:

	31 December 2014 5p ordinary shares	31 December 2013 5p ordinary shares
	Number	Number
C C Powell*	**10,301,533**	10,301,533
J K Powell*	**10,301,533**	10,301,533
C Snook	**1,487,500**	1,487,500
J M Waller (resigned 31 December 2014)	**75,000**	1,475,000
P H Walker (appointed 3 November 2014)	**-**	-

*These holdings are duplicated and represent the combined holdings of Mr C C Powell, his wife Mrs J K Powell, their pension funds and their children.

Mr C Snook also has a beneficial interest in 1,400,000 B shares of £0.001 each that were issued on 29 April 2014 (2013: NIL).

There have been no movements between the year end and the date of this report.

Corporate governance
The Company is committed to the principles of corporate governance. Although not required to do so by the AIM rules for Companies, the Directors set out the following corporate governance and directors' remuneration disclosures.

The Board
On 3 November 2014 Mr P H Walker was appointed to the Board to take over responsibility for finance from Mr J M Waller. Mr Waller retired on 31 December 2014.

The Board consists of the Chairman, the Chief Executive, the Chief Financial Officer and the Non-executive Director. It meets quarterly and relevant information is distributed to directors in advance of the meetings. The Directors have access to all information and if required, external advice at the expense of the Company and access to the Company Secretary. The Board makes decisions on all material matters including long term and commercial strategy, annual operating and capital budgets, capital structure and financial and internal controls without having a formal schedule of reserved matters.

The Board attaches a high priority to communication with shareholders. The Group's annual and half yearly reports are sent to all shareholders. The Group liaises regularly with major shareholders and there is an opportunity for individual shareholders to question the Chairman at the Annual General Meeting.

One third of the Directors are subject to re-election every year. Accordingly, Mr C Snook retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election.

The audit committee
The audit committee consists of the Chairman and the Non-executive director and offers a forum for reporting by the Group's external auditors. It meets at least annually and reviews the scope and results of the external audit.

Internal control
The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The purpose of the system of internal control is to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against misstatement or loss.

The Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority. In particular, there are clear procedures for capital investment appraisal and approval and financial reporting with a comprehensive financial planning and accountancy framework.

Remuneration committee

The Company's remuneration committee consists of the Chairman and the Non-Executive Director. The objective of the Committee's policy is to attract, retain and motivate high calibre individuals as executive directors with a competitive package of basic salary, incentives and rewards, including share options, which are linked to the overall performance of the Group and interest of shareholders. The committee is also responsible for the remuneration packages of the directors of subsidiary companies.

Directors' remuneration

	Fees for services	**Salary and bonus**	**Benefits and car allowance**	**Pension contributions**	**Total 2014**	2013
	£	£	£	£	**£**	£
C C Powell	222,000	-	24,000	-	**246,000**	247,500
C Snook	-	359,178	25,963	20,000	**405,141**	315,247
J M Waller	-	222,351	17,944	-	**240,295**	280,450
J K Powell	-	35,000	-	-	**35,000**	27,000
P H Walker	-	28,209	-	2,000	**30,209**	-
	222,000	644,738	67,907	22,000	**956,645**	870,197

Pension contributions shown above are pension payments into the Pennant International Group plc Pension Scheme, a defined contribution scheme. Pension contributions for 2013 were C Snook £32,000 and J M Waller £5,250.

A review of the incentive arrangements in place for Mr C Snook, Chief Executive Officer, was carried out by the Remuneration Committee as the result of which, on 29 April 2014, 1,400,000 B shares of £0.001 per share were allotted and issued to Mr Snook at a price of £0.005 per share. The B shares only acquire a value if the Company is sold at a price in excess of £1 per share or if the Company is liquidated and there is a capital distribution of more than £1 per share. In both cases they will be entitled to a sum per share equal to the amount paid per ordinary share less 91p per share.

There were nil (2013: nil) share options held by the directors at the year-end.

Service contracts

There are no directors' service contracts or contracts for services with notice periods in excess of one year.

DIRECTORS' REPORT (Continued)

Responsibilities of the directors

The directors are responsible for preparing the Chairman's Review and Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company. Appropriate directors' and officers' liability insurance cover is in place in respect of all the Company's directors.

Political donations

The Group has not made any political donations during the current or prior year.

Statement as to disclosure of information to auditor

As far as the directors are aware they have taken all necessary steps to make the auditor aware, of any relevant audit information and to establish that the auditor is aware of that information.

As far as the directors are aware, there is no relevant audit information of which the Company and Group's auditor is unaware.

Auditors

Mazars LLP have signified their willingness to continue in office and a resolution to reappoint Mazars LLP as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 16 March 2015
and signed on its behalf

P H Walker
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENNANT INTERNATIONAL GROUP PLC

We have audited the financial statements of Pennant International Group plc for the year ended 31 December 2014 which comprise the Consolidated and Parent Company Income Statements, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit and the Parent Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENNANT INTERNATIONAL GROUP PLC (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Chairman's Review and Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jonathan Seaman (Senior Statutory Auditor)

for and on behalf of Mazars LLP, Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

16 March 2015

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
Continuing operations		**£**	£
Revenue	5	**17,798,023**	18,676,969
Cost of sales		**(10,841,174)**	(12,226,023)
Gross profit		**6,956,849**	6,450,946
Administrative expenses		**(4,782,146)**	(4,195,236)
Operating profit	8	**2,174,703**	2,255,710
Finance costs	10	**(10,569)**	(11,733)
Finance income	11	**2,684**	2,651
Profit before taxation		**2,166,818**	2,246,628
Taxation credit/(charge)	12	**814,612**	(550,830)
Profit for the year attributable to the equity holders of the parent		**2,981,430**	1,695,798
Earnings per share	14		
Basic		**11.32p**	6.43p
Diluted		**10.88p**	6.33p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	£	£
Profit for the year attributable to the equity holders of the parent	**2,981,430**	1,695,798
Other comprehensive income:		
Items that will not be reclassified to profit and loss		
Property revaluation gain	**1,106,006**	-
Deferred tax	**(221,201)**	-
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(12,235)**	(189,217)
Total comprehensive income for the period attributable to the equity holders of the parent	**3,854,000**	1,506,581

PENNANT INTERNATIONAL GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

	Notes	2014 £	2013 £
Non-current assets			
Goodwill	15	**941,457**	946,749
Other intangible assets	16	**850,486**	128,174
Property, plant and equipment	17	**2,999,600**	1,910,187
Available-for-sale investments	18	**3,700**	3,700
Deferred tax assets	27	**226,639**	33,490
Total non-current assets		**5,021,882**	3,022,300
Current assets			
Inventories	19	**29,000**	4,000
Trade and other receivables	21	**5,383,126**	5,750,546
Cash and cash equivalents	22	**1,068,632**	1,156,950
Current tax asset		**743,056**	-
Total current assets		**7,223,814**	6,911,496
Total assets		**12,245,696**	9,933,796
Current liabilities			
Trade and other payables	23	**2,179,010**	3,010,744
Current tax liabilities		**6,931**	243,930
Obligations under finance leases	24	**15,347**	8,171
Deferred revenue	26	**223,440**	326,116
Total current liabilities		**2,424,728**	3,588,961
Net current assets		**4,799,086**	3,322,535
Non-current liabilities			
Obligations under finance leases	24	**18,438**	36,229
Deferred revenue	26	**5,239**	-
Deferred tax liabilities	27	**379,952**	121,866
Total non-current liabilities		**403,629**	158,095
Total liabilities		**2,828,357**	3,747,056
Net assets		**9,417,339**	6,186,740
Equity			
Share capital	28	**1,401,400**	1,400,000
Share premium account		**5,600**	-
Capital redemption reserve		**200,000**	200,000
Treasury shares	29	**(418,225)**	(459,288)
Retained earnings		**7,207,603**	4,897,637
Translation reserve		**136,156**	148,391
Revaluation reserve		**884,805**	-
Total equity		**9,417,339**	6,186,740

Approved by the Board and authorised for issue on 16 March 2015

C Snook	P H Walker
Director	Director

PENNANT INTERNATIONAL GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	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 2013	1,400,000	-	200,000	(402,690)	3,771,398	337,608	-	5,306,316
Profit for the year	-	-	-	-	1,695,798	-	-	1,695,798
Other comprehensive income	-	-	-	-	-	(189,217)	-	(189,217)
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 1 January 2014	1,400,000	-	200,000	(459,288)	4,897,637	148,391	-	6,186,740
Profit for the year	-	-	-	-	2,981,430	-	-	2,981,430
Other comprehensive income	-	-	-	-	-	(12,235)	884,805	872,570
Issue of B shares	1,400	5,600	-	-	-	-	-	7,000
Recognition of share based payment	-	-	-	-	53,674	-	-	53,674
Sale of treasury shares to satisfy share options	-	-	-	26,625	-	-	-	26,625
Loss on sale of treasury shares transferred to retained earnings	-	-	-	14,438	(14,438)	-	-	-
Dividends paid	-	-	-	-	(710,700)	-	-	(710,700)
At 31 December 2014	**1,401,400**	**5,600**	**200,000**	**(418,225)**	**7,207,603**	**136,156**	**884,805**	**9,417,339**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014 (Continued)

Share premium account
Represents the amount by which shares have been issued at a price greater than nominal value less issue costs.

Capital redemption reserve
This represents the amount by which the Company's share capital has been diminished by the cancellation of shares held in treasury.

Retained earnings
This represents the accumulated realised earnings from the prior and current periods.

Translation reserve
Exchange differences relating to the translation of the net assets of the Group's foreign subsidiaries from their functional currency to the presentational currency of the Group, being sterling, are recognised directly in the translation reserve.

Revaluation reserve
This represents the extent to which the revaluation of such land and buildings at fair value exceed the carrying amount.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Net cash from operations	30	**1,694,866**	165,319
Investing activities			
Interest received		**2,684**	2,651
Proceeds of sale of property, plant and equipment		**-**	1,000
Purchase of intangible assets		**(802,565)**	(94,603)
Purchase of property, plant and equipment		**(251,100)**	(298,089)
Net cash used in investing activities		**(1,050,981)**	(389,041)
Financing activities			
Issue of B shares		**7,000**	-
Dividends paid		**(710,700)**	(581,110)
Purchase of own shares for treasury		**-**	(68,906)
Proceeds from sale of treasury shares		**26,625**	4,125
Net funds from obligations under finance leases		**(10,615)**	15,197
Net cash used in financing activities		**(687,690)**	(630,694)
Net decrease in cash and cash equivalents		**(43,805)**	(854,416)
Cash and cash equivalents at beginning of year		**1,156,950**	2,173,237
Effect of foreign exchange rates		**(44,513)**	(161,871)
Cash and cash equivalents at end of year	22	**1,068,632**	1,156,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1 General information

Pennant International Group plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is Pennant Court, Staverton Technology Park, Cheltenham, GL51 6TL.

The principal activity of Group companies during the year was the delivery of integrated logistic support solutions. These comprise Logistic Support Analysis Report software, technical documentation, simulation and computer based training systems to customers worldwide; principally those in defence and aerospace, but also in rail transport, oil and gas, petro-chemical, power, customer goods retail, information technology and telecommunications industries.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

2 Adoption of new and revised standards

The following standards and interpretations have been adopted in the financial statements as they are mandatory for the year ended 31 December 2014:

Endorsed		**Effective for periods beginning on or after:**
IFRS 10	'Consolidated Financial Statements'	1 January 2014
IFRS 11	'Joint Arrangements'	1 January 2014
IFRS 12	'Disclosure of Interests in Other Entities'	1 January 2014
IAS 27	'Separate Financial Statements'	1 January 2014
IAS 28	'Investments in Associates and Joint Ventures' (Revised)	1 January 2014
IFRIC 21	'Levies'	1 January 2014
Amendments to IAS 32	Financial instruments: Presentation, Offsetting financial assets and financial liabilities	1 January 2014
Amendments to IAS 36	'Impairment of Assets', Recoverable amounts disclosures for non-financial assets	1 January 2014
Amendments to IAS 39	'Financial Instruments: Recognition and Measurement', Novation of derivatives and continuation of hedge accounting	1 January 2014

The adoption of the standards and interpretations above has not had a material impact on the Group's financial statements.

2 Adoption of new and revised standards (continued)

The following standards and interpretations are available for early adoption but have not been applied by the Group in these financial statements:

Endorsed		**Effective for periods beginning on or after:**
Amendments to IAS 19	'Employee Benefits', Defined benefit plans: employee contributions	1 July 2014
Annual Improvements to IFRS (2010 - 2012)	Minor amendments to a number of standards	1 July 2014
Annual Improvements to IFRS (2011 - 2013)	Minor amendments to a number of standards	1 July 2014
IFRS 14	'Regulatory Deferral Accounts'	1 January 2016
Amendments to IFRS 11	'Joint Arrangements', Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16	'Property, Plant and Equipment'	1 January 2016
Amendments to IAS 38	'Intangible Assets', Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 41	'Agriculture', Agriculture: Bearer Plants	1 January 2016
Amendments to IAS 27	'Equity Method in Separate Financial Statements'	1 January 2016
IFRS 15	'Revenue from Contracts with Customers'	1 January 2017
IFRS 9	'Financial instruments'	1 January 2018

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

3 Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial statements have been prepared on the historical cost basis or a revaluation basis where indicated. The principal accounting policies set out below have been consistently applied to all periods presented with the exception of the revaluation of properties which has a new policy adopted in 2014.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion the directors have considered the financial position of the Group, its cash, liquidity position and borrowing facilities together with its forecasts and projections for 18 months from the reporting date that take into account reasonably possible changes in trading performance. The going concern basis of accounting has therefore continued to be adopted in preparing the financial statements.

3 Accounting policies (continued)

Basis of consolidation

The financial statements incorporate the results of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has power to govern the financial and operating policies of the investee entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the results of subsidiaries to bring accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The assets and liabilities and contingent liabilities of the subsidiaries are measured at their fair value at the date of acquisition. Any excess of cost of acquisition over fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of cost of acquisition below the fair value of the identified net assets acquired (i.e. discount on acquisition) is credited in profit or loss in the period of acquisition. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss account and is not subsequently reversed. Acquisition related costs are recognised in the income statement as incurred.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Rendering of consultancy services relates to the services of contractors provided to customers on a time basis it is invoiced and recognised as revenue on a time basis.

Revenues arising from the software maintenance programme provided to customers are invoiced in advance but recognised as revenue across the period to which the maintenance agreements relate. Amounts not taken to revenue at a period end are shown in the statement of financial position as deferred revenue.

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

3 Accounting policies (continued)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Foreign currency

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pound sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the Group Company’s functional currency (foreign currencies) are recorded at rates of exchange prevailing on the dates of the transactions. At the reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

3 Accounting policies (continued)

Foreign currency (continued)
Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of the gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income and expense in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profits as reported on the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for temporary differences arising on investments in subsidiaries and interest in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3 Accounting policies (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or at least realised based on the tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share-based payment

The Group issues equity-settled share based payments to certain employees. Equity-settled share based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of an option pricing model. The model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged to write off the cost of assets over their estimated useful lives on the following bases:

Freehold land	Nil
Freehold buildings Short leasehold buildings Long leasehold buildings	Net book value at 1 January 2007 being written off over 35 years on a straight line basis or over the life of the lease if shorter
Plant and equipment	10% to 25% of cost per annum
Computers	33.33% of cost per annum
Motor vehicle	25% of cost per annum

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

3 Accounting policies (continued)

Property, plant and equipment (continued)
Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in carrying value amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Internally-generated intangible assets
An internally-generated intangible asset arising from the Group's development activities is capitalised and held as an intangible asset in the statement of financial position when the costs relate to a clearly defined project; the costs are separately identifiable; the outcome of such a project has been assessed with reasonable certainty as to its technical feasibility and its ultimate commercial viability; the aggregate of the defined costs plus all future expected costs in bringing the product to market is exceeded by the future expected sales revenue; and adequate resources are expected to exist to enable the project to be completed. Internally-generated intangible assets are amortised over their useful lives, normally three years, from completion of development. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the income statement in the period in which it is incurred.

Intangible assets
Intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss. Amortisation is charged to write off intangible assets on a straight line basis over their estimated useful lives on the following basis:

Computer software	33.33% of cost per annum

3 Accounting policies (continued)

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments
The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument.

Trade and other receivables
Trade and other receivables are measured at initial recognition at fair value, and subsequently measured at amortised cost. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents are recognised as financial assets. They comprise cash held by the Group and short term bank deposits with an original maturity date of three months or less.

Available-for-sale investments
Available-for-sale investments are recognised as financial assets and are initially measured at fair value, including transaction costs. At subsequent reporting dates available-for-sale investments are measured at fair value where material or cost where fair value is not readily ascertainable. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss recognised previously in equity is included in profit or loss for the period. Dividends are recognised in the income statement when the right to receive payment has been established.

Trade payables
Trade payables are initially recognised as financial liabilities measured at fair value, and subsequent to initial recognition measured at amortised cost.

Bank borrowings
Interest bearing bank loans, overdrafts and other loans are recognised as financial liabilities and recorded at fair value, net of direct issue costs. Finance costs are accounted for on the accruals basis in the income statement using the effective interest rate.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deduction of all its liabilities. Equity instruments issued by the Group are recorded at the proceeds received net of direct issue costs.

4 Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements

Revenue recognition
A significant proportion of the Group's revenue derives from construction contracts. The directors are satisfied that revenue is recognised when, and to the extent that, the group obtains the right to consideration which is derived on a contract-by-contract basis from the stage of completion of the contract activity at the reporting date. This is measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost. Judgement has been required in the estimation of the total costs of each contract.

Recoverability of internally-generated intangible asset
During the year, management reconsidered the recoverability of its internally-generated intangible asset which is included in its balance sheet at £756,000. The project continues to progress in a very satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the project.

Key source of estimation uncertainty

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation, as described in note 15, requires estimates of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the balance sheet date was £941,457 and the review carried out has shown no impairment.

5 Revenue

An analysis of the Group's revenue is as follows:	**2014**	2013
	£	£
Sale of goods	**211,257**	274,012
Rendering of services	**2,400,519**	2,595,636
Revenue from construction contracts	**14,406,871**	14,932,633
Software maintenance programmes	**779,376**	874,688
	17,798,023	18,676,969
Investment income	**2,684**	2,651
	17,800,707	18,679,620

6 Segment information

The operating segments that are regularly reviewed by the chief operating decision maker (the Chief Executive) in order to allocate resources to segments and to assess performance are Training Systems, Data Services and Software as these represent the way the Group organises its products and services. The accounting policies of the reporting segments are the same as those adopted by the Group and set out in note 3.

6.1 *Segment revenues and results*

	Segment revenue		**Segment profit**	
	2014	2013	**2014**	2013
	£	£	**£**	£
Training Systems	**12,262,320**	12,553,789	**1,498,156**	1,778,748
Data Services	**2,399,887**	2,949,360	**20,905**	306,979
Software	**4,889,293**	4,344,411	**338,632**	435,165
	19,551,500	19,847,560	**1,857,693**	2,520,892
Inter-segment sales				
Training Systems	**-**	-		
Data Services	**(255,336)**	(570,513)		
Software	**(1,498,141)**	(600,078)		
External sales	**17,798,023**	18,676,969		
Allocated / (Unallocated) corporate expenses			**317,010**	(265,182)
Net finance (costs) / income			**(7,885)**	(9,082)
Profit before tax			**2,166,818**	2,246,628

Inter-segment sales are made on an arm's length basis.

6 Segment information (continued)

6.2 *Segment assets and liabilities*

	2014	2013
Segment assets	**£**	£
Training Systems	**9,337,064**	6,964,257
Data Services	**1,806,876**	1,794,667
Software	**3,923,426**	3,796,581
	15,067,366	12,555,505
Eliminations on consolidation	**(3,196,877)**	(2,782,222)
Unallocated	**375,207**	160,513
Consolidated assets	**12,245,696**	9,933,796

Segment liabilities		
Training Systems	**1,747,144**	2,443,725
Data Services	**320,995**	342,822
Software	**613,461**	803,675
	2,681,600	3,590,222
Eliminations on consolidation	**-**	-
Unallocated	**146,757**	156,834
Consolidated liabilities	**2,828,357**	3,747,056

6.3 *Other segment information*

	Depreciation and amortisation		**Additions to non-current assets**	
	2014	2013	**2014**	2013
	£	£	**£**	£
Training Systems	**260,712**	206,367	**936,333**	273,771
Data Services	**42,976**	33,974	**83,321**	30,876
Software	**42,957**	37,026	**34,011**	88,045
	346,645	277,367	**1,053,665**	392,692

6 Segment information (continued)

6.4 *Geographical information*

The Group operates in four geographical areas – United Kingdom, USA, Canada and Australia.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below.

	Revenue from external customers		**Non-current assets***	
	2014	2013	**2014**	2013
	£	£	**£**	£
United Kingdom	**14,717,943**	15,181,214	**4,511,189**	2,708,893
USA	**20,453**	31,821	**-**	-
Canada	**2,727,138**	3,114,348	**12,251**	19,449
Australia	**332,489**	349,586	**268,103**	245,764
	17,798,023	18,676,969	**4,791,543**	2,974,106

* Non-current assets excluding financial instruments and deferred tax assets.

6.5 *Information about major customers*

Included in the revenues of each segment are the following sales to individual external customers amounting to 10% or more of the Group's revenues.

	2014	2013
	£	£
Training Systems		
Customer 1	**Less than 10%**	2,648,600
Customer 2	**6,858,964**	4,886,755
Software services		
Customer 3	**2,483,146**	2,673,517

7 Staff costs

	2014	2013
	£	£
Wages and salaries	**5,938,094**	5,602,135
Social security costs	**708,343**	658,925
Pension costs	**250,641**	245,829
	6,897,078	6,506,889

The average number of persons, including executive directors employed by the Group during the year was:

	Number	Number
Office and management	**15**	14
Production	**105**	104
Selling	**8**	7
	128	125

8 Operating profit for the year

	2014	2013
	£	£
Profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange losses/(profits)	**24,587**	(88,301)
Research and development costs	**1,603,395**	1,681,076
Amortisation of intangible assets	**80,010**	71,269
Depreciation of property, plant and equipment	**266,635**	206,098
Profit on disposal of property, plant and equipment	**-**	(435)
Staff costs (note 7)	**6,897,078**	6,506,889
Share-based payment (note 32)	**53,674**	19,734
Redundancy cost	**83,491**	40,000

9 Auditors' remuneration

	2014	2013
	£	£
Fees payable to the company's auditors for:		
-The audit of the annual financial statements	**12,000**	12,000
-The audit of the company's group undertakings	**27,000**	27,000
Total audit fees	**39,000**	39,000
Fees payable to the company's auditor and its associates for other services to the Group:		
- Tax compliance services	**5,950**	5,950
- Other services relating to tax	**96,082**	4,620
Total non-audit fees	**102,032**	10,570
	141,032	49,570

10 Finance costs

	2014	2013
	£	£
Interest expense for financial lease arrangements	**4,846**	4,619
Interest expense for bank overdraft	**3,788**	7,114
Other interest expense	**1,935**	-
	10,569	11,733

11 Finance income

	2014	2013
	£	£
Income from bank deposits	**2,424**	2,451
Dividends receivable from available-for-sale investments	**138**	200
Other interest receivable	**122**	-
	2,684	2,651

12 Taxation

	2014	2013
	£	£
Recognised in the income statement		
Current UK tax expense	**-**	412,127
Foreign tax	**26,175**	176,742
Double taxation relief	**-**	(36,809)
In respect of prior years	**(684,938)**	(4,288)
	(658,763)	547,772
Deferred tax expense relating to origination and reversal of temporary differences	**(155,849)**	3,058
Total tax expense	**(814,612)**	550,830

Reconciliation of effective tax rate		
Profit before tax	**2,166,818**	2,246,628
Tax at the applicable rate of 21.5% (2013: 23.25%)	**465,717**	522,341
Tax effect of expenses not deductible in determining taxable profit	**56,921**	19,206
Additional deduction for R&D expenditure	**(474,588)**	-
Tax effect of utilisation of losses not previously recognised	**(871,341)**	(6,947)
Foreign tax credits	**-**	39,691
Effect of different tax rates of subsidiaries operating in other jurisdictions	**6,612**	6,024
Effect of small companies rate	**-**	(156)
Effect of change of deferred tax rate	**(67,151)**	(18,135)
Losses arising not recognised in deferred tax	**93,043**	-
Effect of adjustments for prior years	**-**	(3,999)
Effect of share options exercised	**(23,213)**	(7,148)
Other differences	**(612)**	(47)
Total tax expense	**(814,612)**	550,830

13 Dividends

Two dividends were paid during the year amounting to 2.70p per share in aggregate (2013: 2.20p). A final dividend of 2.00p per share (2013: 1.80p) will be proposed at the Annual General Meeting.

14 Earnings per share

Earnings per share has been calculated by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year as follows:

	2014	2013
	£	£
Profit after tax attributable to equity holders	**2,981,430**	1,695,798

	Number	Number
Weighted average number of ordinary shares in issue during the year	**26,347,261**	26,382,834
Diluting effect of share options	**1,065,000**	391,185
Diluted average number of ordinary shares	**27,412,261**	26,774,019

15 Goodwill

	£
Carrying amount	
At 1 January 2013	985,400
Currency translation	(38,651)
At 1 January 2014	946,749
Currency translation	(5,292)
At 31 December 2014	**941,457**

Goodwill acquired in a business combination is allocated, at acquisition, to cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2014	2013
	£	£
Cash generating unit		
Data Services division	**583,900**	583,900
Software division	**357,557**	362,849
	941,457	946,749

The Group tests goodwill annually for impairment. The recoverable amounts of the CGU's are determined from value in use calculations. The Group prepares cash flow forecasts for the following 12 months derived from the most recent annual financial budgets approved by the management and extrapolates cash flows for a further 3 years based on a growth rate of 3.5% (2013: 3.5%). These forecast cash flows are discounted at 7.5% per annum (2013: 7.5% per annum) to provide the value in use for each CGU. No impairment of goodwill has been recorded in previous years and the most recent tests confirm no impairment.

16 Other intangible assets

	Software	Development costs	Total
	£	£	£
Cost			
At 1 January 2013	222,542	151,753	374,295
Currency translation	(4,444)	-	(4,444)
Additions	94,603	-	94,603
At 1 January 2014	312,701	151,753	464,454
Currency translation	(851)	-	(851)
Additions	46,565	756,000	802,565
At 31 December 2014	**358,415**	**907,753**	**1,266,168**
Amortisation			
At 1 January 2013	123,901	145,358	269,259
Currency translation	(4,248)	-	(4,248)
Charge for the year	64,874	6,395	71,269
At 1 January 2014	184,527	151,753	336,280
Currency translation	(608)	-	(608)
Charge for the year	80,010	-	80,010
At 31 December 2014	**263,929**	**151,753**	**415,682**
Carrying amount			
At 31 December 2014	**94,486**	**756,000**	**850,486**
At 31 December 2013	128,174	-	128,174

17 Property, plant and equipment

	Land and buildings	Fixtures and equipment	Motor vehicles	Total
	£	£	£	£
Cost / Valuation				
At 1 January 2013	1,827,992	1,598,871	32,124	3,458,987
Currency translation	-	(14,605)	(5,068)	(19,673)
Additions	-	275,437	22,652	298,089
Disposals	-	(5,500)	-	(5,500)
At 1 January 2014	1,827,992	1,854,203	49,708	3,731,903
Currency translation	-	(3,040)	(1,133)	(4,173)
Additions	-	244,935	6,165	251,100
Revaluation	1,106,006	-	-	1,106,006
At 31 December 2014	**2,933,998**	**2,096,098**	**54,740**	**5,084,836**
Depreciation				
At 1 January 2013	521,886	1,112,606	2,936	1,637,428
Currency translation	-	(16,033)	(842)	(16,875)
Charge for year	46,056	152,928	7,114	206,098
Eliminated on disposals	-	(4,935)	-	(4,935)
At 1 January 2014	567,942	1,244,566	9,208	1,821,716
Currency translation	-	(3,236)	121	(3,115)
Charge for year	46,056	213,185	7,394	266,635
At 31 December 2014	**613,998**	**1,454,515**	**16,723**	**2,085,236**
Carrying amount				
At 31 December 2014	**2,320,000**	**641,583**	**38,017**	**2,999,600**
At 31 December 2013	1,260,050	609,637	40,500	1,910,187

Included within land and buildings is land valued at £575,000 (2013: £510,000).

Land and buildings were revalued at 31 December 2014 to £2,320,000 by ETP Property Consultants, independent valuers not connected with the group, on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's lengths terms for similar properties.

At 31 December 2014, had the land and buildings of the group been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately £1.21 million (2013: £1.26 million; 2012: £1.31 million).

The revaluation surplus is disclosed in the Statement of Changes in Equity. The revaluation surplus arises in a subsidiary and cannot be distributed to the parent due to legal restrictions in the country of incorporation.

All of the Group's properties are categorised as Level 2 in the fair value hierarchy as defined by IFRS 13 Fair Value Management. There are no transfers of properties between Levels 1,2 and 3 during the year ended 31 December 2014.

18 Available-for-sale investments

The Group owns a non-controlling interest of less than 1% in Synectics plc. The shares are not held for trading and accordingly are classified as available for sale. They are held on the balance sheet at their original cost and at 31 December 2014 the market value of this investment was £3,062 (2013: £14,187).

19 Inventories

	2014	2013
	£	£
Raw materials and consumables	**29,000**	4,000

There is no material difference between the carrying value of inventories and their replacement cost.

20 Construction contracts

	2014	2013
	£	£
Contracts in progress:		
Amounts due from contract customers included in trade and other receivables (note 21)	**3,236,573**	2,893,526
Amounts due to contract customers included in trade and other payables (note 23)	**(124,725)**	(1,163,241)
	3,111,848	1,730,285
Contract costs incurred plus recognised profits less recognised losses to date	**27,922,969**	22,043,587
Less: progress billings	**(24,811,121)**	(20,313,302)
	3,111,848	1,730,285

21 Trade and other receivables

	2014	2013
	£	£
Trade receivables	**1,725,296**	2,224,990
Amounts due from construction customers (note 20)	**3,236,573**	2,893,526
Other debtors	**152,180**	295,285
Prepayments and accrued income	**269,077**	336,745
	5,383,126	5,750,546

Some of the unimpaired trade receivables are past due as at the reporting date. The age of the trade receivables past due but not impaired is as follows:

Not more than 3 months	**-**	18,177
More than 3 months but not more than 6 months	**-**	-
More than 6 months but not more than 9 months	**-**	-
	-	18,177

No receivables have been written off as uncollectible during the year (2013: nil) and it has not been necessary to recognise any impairment loss. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

22 Cash and cash equivalents

	2014	2013
	£	£
Bank balances	**1,065,538**	1,153,388
Petty cash	**3,094**	3,562
	1,068,632	1,156,950

Cash and cash equivalents comprise cash held by the Group and short term deposits with an original maturity date of three months or less. The carrying amount approximates their fair value.

23 Trade and other payables

	2014	2013
	£	£
Amounts due to construction contract customers (note 20)	**124,725**	1,163,241
Trade payables	**1,132,713**	1,001,004
Taxes and social security costs	**395,856**	446,353
Accruals	**525,716**	400,146
	2,179,010	3,010,744

The directors consider that the carrying amount of trade and other payables approximates their fair value.

24 Obligations under finance leases

	Minimum payments		**Present value of minimum payments**	
	2014	2013	**2014**	2013
	£	£	**£**	£
Amounts payable				
Within 1 year	**12,173**	11,477	**10,120**	8,171
Within 2 to 5 years inclusive	**23,944**	37,245	**23,665**	36,229
Less: future finance charges	**(2,332)**	(4,322)	**-**	-
	33,785	44,400	**33,785**	44,400

Carrying amount of assets subject to finance lease:		
Property, plant and equipment	**40,000**	44,845

The Group's obligations under finance leases are secured by the lessor's rights to the leased assets.

25 Borrowings

The Group has available unused bank overdraft facilities of £1,000,000. Any overdraft arising from the facility is repayable on demand and carries interest at 2.00% (2013: 2.75%) plus the bank's base rate. Any facilities used are secured by fixed and floating charges over the assets of Pennant International Group plc, Pennant Training Systems Limited, Pennant Software Services Limited and Pennant Information Services Limited and by cross-guarantees between those companies.

26 Deferred revenue

	2014	2013
	£	£
Deferred revenue arises in respect of prepaid software maintenance contracts and is shown as:		
Revenue that can be recognised within 1 year included in current liabilities.	**223,440**	326,116
Revenue that can be recognised after 1 year included in non-current liabilities.	**5,239**	-
	228,679	326,116

27 Deferred tax

	Accelerated tax depreciation	**Other temporary differences**	**Tax losses**	**Total**
	£	**£**	**£**	**£**
At 1 January 2013	(107,340)	25,734	-	(81,606)
Currency translation	(124)	(3,588)	-	(3,712)
Credit/(charge) to income	(9,256)	6,198	-	(3,058)
At 1 January 2014	(116,720)	28,344	-	(88,376)
Property revaluation	-	(221,201)	-	(221,201)
Credit/(charge) to income	(42,031))	9,528	188,767	156,264
At 31 December 2014	**(158,751)**	**(183,329)**	**188,767**	**(153,313)**

In the statement of financial position deferred assets and liabilities are shown without any set off as follows:

	2014	2013	2012
	£	**£**	**£**
Deferred tax assets	226,639	33,490	25,734
Deferred tax liabilities	(379,952)	(121,866)	(107,340)
	(153,313)	(88,376)	(81,606)

Deferred tax has been provided at 20% (2013: 20%), the corporation tax rate that will be effective from 1 April 2015.

At the reporting date the Group had unused tax losses of approximately £3,000,000 (2013: £1,650,000) available for set-off against future profits. No deferred tax asset has been recognised in respect of some of these available losses due to the unpredictability of future profit streams in some of the subsidiaries in which they arise. The unrecognised losses are available for set off indefinitely.

28 Share capital

	2014	2013
	£	£
Issued and fully paid		
28,000,000 ordinary shares of 5p each	**1,400,000**	1,400,000
1,400,000 B shares of 0.1p each	**1,400**	-
	1,401,400	1,400,000

The ordinary shares carry no right to fixed income.

On 29 April 2014, the Company issued 1,400,000 B shares of 0.1p each. The consideration paid resulted in a share premium of £5,600. The rights and obligations attaching to the B shares are, in summary:

1. No right to receive any dividend or other distribution of an income nature;
2. No right to receive notice of, or to attend or vote at, any general meeting;
3. No right to transfer any B share save upon an offer for the ordinary shares becoming unconditional in all respects;
4. Conditional upon the ordinary shares having traded on AIM at a price of 100p or more for 10 business days within a 20 day period:
    a. The right upon an offer for all the ordinary shares being declared unconditional in all respects or upon a scheme of arrangement to effect such an offer becoming effective, to sell each B share to the offeror at a price equal to the amount by which the price offered for each ordinary share exceeds 91p and otherwise upon such terms as are the same as those applying to the offer for ordinary shares; and
    b. In the event of a capital distribution following the sale of the Company's assets and business, whether upon a liquidation or otherwise, the right to rank pari passu with each ordinary share after 91p has been paid on each ordinary share;
5. The obligation for the B shares to be redeemed by the Company, at the price at which the B shares were issued, at any time following Mr Snook ceasing for any reason whatsoever to be a full time employee of the Company or any of its subsidiaries.

No application will be made for the B shares to be admitted to trading on AIM or any other public market.

29 Treasury shares

	Number	**£**
As at 1 January 2013	1,635,864	402,690
Shares purchased in the market under authority for Company to purchase its own shares	91,875	68,906
Shares sold to satisfy share options	(50,000)	(4,125)
Loss on sale of shares	-	(8,183)
As at 1 January 2014	1,677,739	459,288
Shares sold to satisfy share options	(150,000)	(26,625)
Loss on sale of shares	-	(14,438)
As at 31 December 2014	**1,527,739**	**418,225**

30 Note to consolidated statement of cash flows

	2014	2013
	£	£
Cash generated from operations		
Profit for the year	**2,981,430**	1,695,798
Finance income	**(2,684)**	(2,651)
Finance costs	**10,569**	11,733
Income tax (credit)/expense	**(814,612)**	550,830
Depreciation of property, plant and equipment	**266,635**	206,098
Amortisation of other intangible assets	**80,010**	71,269
Profit on disposal of property, plant and equipment	**-**	(435)
Share-based payment	**53,674**	19,734
Operating cash flows before movement in working capital	**2,575,022**	2,552,376
Increase in receivables	**367,420**	(1,831,809)
Decrease in inventories	**(25,000)**	9,340
Increase in payables	**(831,734)**	135,054
Decrease in deferred revenue	**(97,437)**	(27,151)
Cash generated from operations	**1,988,271**	837,810
Tax paid	**(282,836)**	(660,758)
Interest paid	**(10,569)**	(11,733)
Net cash generated from operations	**1,694,866**	165,319

31 Operating lease arrangements

	2014	2013
	£	£
Lease payments under operating leases recognised as an expense in the year	**236,581**	241,647

The Group had commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014	2013	**2014**	2013
	£	£	£	£
Within one year	**125,918**	123,229	**77,216**	81,770
In the second to fifth years	**328,046**	381,386	**73,058**	85,002
In the sixth to tenth years	**37,016**	85,508	**-**	-
After ten years	**235,238**	241,788	**-**	-
	726,218	831,911	**150,274**	166,772

Commitments after ten years relate to ground rents on long leasehold properties that run until 2098.

32 Share-based payment

The Company operates a share option scheme for certain employees of the Group. Options are exercisable at the price equal to the quoted mid-market price at the close of business on the date of grant. Exercise is subject to non-market conditions as options are forfeited if the employee leaves the Group before the options vest. Details of the share options outstanding during the year are as follows:

	2014		2013	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
Outstanding at 1 January 2014	**700,000**	**30.42p**	610,000	21.41p
Granted during the year	**520,000**	**86.00p**	140,000	61.75p
Exercised during the year	**(150,000)**	**17.75p**	(50,000)	8.25p
Outstanding at 31 December 2014	**1,070,000**	**59.21p**	700,000	30.42p
Exercisable at 31 December 2014	**20,000**	**8.25p**	20,000	8.25p

The options outstanding at 31 December 2014 had a weighted average remaining contractual life of 8.31 years (2013: 8.32 years).

New options over 520,000 shares were granted on 17 March 2014. The aggregate fair value of the options granted was £123,240.

The inputs to the Black Scholes model for the 2014 grant were as follows:

Share price at date of grant	86.00p
Exercise price	86.00p
Expected volatility (based on historic volatility)	42%
Risk free rate	1.76%
Expected dividend yield	4.20%
Option life	10 years
Vesting period	3 years

The Group recognised total expenses related to equity-settled share-based payment transactions of £53,674 (2013: £19,734).

33 Employee benefits

Defined contribution

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds.

	2014	2013
	£	£
Contributions payable by the Group for the year	**250,641**	245,829

34 Financial instruments

34.1 *Capital risk management*

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Group consists of cash and cash equivalents and equity comprising issued share capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

34.2 *Categories of financial instruments*

	2014	2013
	£	£
Financial assets		
Available-for-sale financial assets	**3,700**	3,700
Loans and receivables		
Trade and other receivables	**5,383,126**	5,750,546
Cash and cash equivalents	**1,068,632**	1,156,950
	6,455,458	6,911,196
Financial liabilities		
Measured at amortised cost		
Trade payables	**1,528,569**	1,447,357

34.3 *Financial risk management*

Financial risks include market risk (principally foreign currency risk), credit risk, liquidity risk and interest risk. The Group seeks to minimise the effect of these risks by developing and applying policies and procedures which are regularly reviewed for appropriateness and effectiveness. The Group's principal financial instruments comprise cash held in current accounts, trade receivables, amounts due from and to construction contract customers, trade payables, other payables and borrowings that arise directly from its operations.

34.4 *Foreign currency risk*

The Group operates internationally giving rise to exposure from changes in foreign exchange rates. The Group's policy permits but does not demand that these exposures are hedged in order to fix their cost in sterling. Forward foreign exchange contracts are entered into in respect of forecast foreign exchange transactions when the amount and timing of such transactions becomes reasonably certain. At 31 December 2014 and 31 December 2013 the Group had no commitments under forward exchange contracts.

34. Financial Instruments (continued)

34.4 *Foreign currency risk (continued)*

The Canadian dollar, the Australian dollar and the American dollar are the main foreign currencies in which the Group operates. The carrying amounts of the Group's monetary assets and liabilities denominated in these currencies expressed in sterling at the reporting date are as follows:

	Liabilities		**Assets**	
	2014	2013	**2014**	2013
	£	£	**£**	£
Canadian $	**142,673**	206,098	**1,215,837**	977,660
American $	**98**	2,588	**109,674**	210,530
Australian $	**141,524**	162,941	**246,000**	415,938
Total	**284,295**	371,627	**1,571,511**	1,604,128

The following table details the Group's sensitivity to a 5% increase in Sterling against the relevant foreign currencies. The analysis includes outstanding foreign currency denominated monetary items where denominated in a currency other than the functional currency of the debtor or creditor. A positive number indicates an increase in profits and a negative number a decrease in profit. A 5% weakening of Sterling against the relevant currencies would have an equal and opposite effect on profit.

	Impact on profit	
	2014	2013
	£	£
Canadian $	**48,458**	8,476
American $	**3,412**	29,216
Australian $	**4,277**	27,821

34.5 *Credit risk*

Credit risk refers to the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations, resulting in financial loss to the Group, and arises principally from the Group's receivables from customers and bank current accounts. Major customers that wish to trade on credit terms are subject to credit verification procedures and receivable balances are monitored on an on-going basis. The credit risk on bank current account balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

At 31 December 2014 and 31 December 2013 there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

34 Financial instruments (continued)

34.6 *Liquidity risk*

Liquidity risk is the risk that the Group does not have sufficient cash to meet its financial obligations as they fall due. The Group ensures that sufficient cash and undrawn facilities are available to fund ongoing operations and to meet its medium term capital and funding obligations.

At the year end the Group had net cash funds of £1,068,632 (2013: £1,156,950) and undrawn facilities of £1,000,000 (2013: £750,000). The level of the Group's overdraft facility is reviewed annually.

The Group's financial obligations consist of trade and other creditors and obligations under finance leases which are all payable within 12 months.

34.7 *Interest risk*

The Group has no liabilities subject to interest rate risk at the balance sheet date. However, the Group is from time to time exposed to interest rate risk on bank overdraft. Interest is paid on bank overdraft at 2.00% (2013: 2.75%) over base rate. 1% rise/fall in interest rates would have decreased/ increased profit for the year by an immaterial amount (2013: immaterial).

35 Capital commitments

At 31 December 2014 and 31 December 2013 the Group had no capital commitments.

36 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Barclays Bank Plc have given performance guarantees of £1,835,000 (2013: £1,416,304), in the normal course of business, to a customer of Pennant Training Systems Limited. These are secured by fixed and floating charges over the assets of the Company.

Remuneration of key management personnel

Amounts paid to Group directors who are the only key management personnel of the Group are set out in the Directors' Report.

36 Related party transactions (continued)

Transaction with a Director

On 29 April 2014, as part of an incentive arrangement, Mr C Snook purchased 1,400,000 B shares of £.001per share in the Company at a price of £0.005 per share. The rights and obligations attaching to the B shares are set out in note 28.

Dividends paid to Directors

Dividends totalling £345,529 (2013: £293,829) were paid in the year in respect of ordinary shares in which the Company's Directors had a beneficial interest.

Employee Benefit Trust

Included in Trade and Other Receivables is a loan to Mr C Snook of £148,012. At 31 December 2013 there were loans outstanding from Mr C Snook and Mr J M Waller of £148,012 and £144,763 respectively. On 25 June 2014, in accordance with the terms of his loan agreement, Mr J M Waller repaid his loan in full.

The loans were made in accordance with the purposes of the Pennant Employee Benefit Trust to purchase shares in the Company. The outstanding loan to Mr C Snook is interest free and secured by a charge on the shares and is repayable when the shares are sold.

COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
		£	£
Continuing operations			
Management charges receivable		**2,036,910**	50,000
Dividends received from subsidiaries		**-**	1,500,000
Administrative expenses		**(576,900)**	(150,182)
Management charges payable		**(1,143,000)**	(165,000)
Operating profit		**317,010**	1,234,818
Finance costs	3	**(1,026)**	(344)
Finance income	4	**138**	200
Profit before tax		**316,122**	1,234,674
Tax credit	5	**117,393**	-
Total comprehensive income attributable to equity holders		**433,515**	1,234,674

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Share premium	Capital redemption reserve	Treasury shares	Retained earnings	Total equity
	£		£	£	£	£
At 1 January 2013	1,400,000	-	200,000	(402,690)	3,324,667	4,521,977
Total comprehensive income for the year	-	-	-	-	1,234,674	1,234,674
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 sales transferred to retained earnings	-	-	-	8,183	(8,183)	-
Dividends paid	-	-	-		(581,110)	(581,110)
At 1 January 2014	1,400,000	-	200,000	(459,288)	3,989,782	5,130,494
Total comprehensive income for the year	-	-	-	-	433,515	433,515
Issue of B shares	1,400	5,600	-	-	-	7,000
Recognition of share-based payment	-	-	-	-	53,674	53,674
Purchase of own shares for treasury	-	-	-	-	-	-
Sale of treasury shares to satisfy share options	-	-	-	26,625	-	26,625
Loss on sale of treasury sales transferred to retained earnings	-	-	-	14,438	(14,438)	-
Dividends paid	-	-	-	-	(710,700)	(710,700)
At 31 December 2014	**1,401,400**	**5,600**	**200,000**	**(418,225)**	**3,751,833**	**4,940,608**

COMPANY NUMBER: 3187528
COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

	Notes	2014 £	2013 £
Non-current assets			
Investment in subsidiaries	6	**7,909,037**	7,909,037
Available-for-sale investments		**3,700**	3,700
Deferred tax asset	11	**117,393**	-
Total non-current assets		**8,030,130**	7,912,737
Current assets			
Trade and other receivables		**1,512**	2,543
Amounts due from subsidiaries		**-**	292,775
Cash and cash equivalents	7	**104,589**	-
Total current assets		**106,101**	295,318
Total assets		**8,136,231**	8,208,055
Current liabilities			
Trade and other payables	8	**146,758**	156,835
Amounts due to subsidiaries		**3,048,865**	2,782,221
Bank overdraft		**-**	138,505
Total current liabilities		**3,195,623**	3,077,561
Net current liabilities		**(3,089,522)**	(2,782,243)
Total liabilities		**3,195,623**	3,077,561
Net assets		**4,940,608**	5,130,494
Equity			
Share capital	10	**1,401,400**	1,400,000
Share premium account		**5,600**	-
Capital redemption reserve		**200,000**	200,000
Treasury shares		**(418,225)**	(459,288)
Retained earnings		**3,751,833**	3,989,782
Total equity		**4,940,608**	5,130,494

Approved by the Board and authorised for issue on 16 March 2015

C Snook
Director

P H Walker
Director

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Net cash from operations	11	**920,031**	(1,511,884)
Investing activities			
Dividend received from subsidiary		**-**	1,500,000
Dividend received		**138**	200
Interest received		**-**	-
Net cash from/(used) in investing activities		**138**	1,500,200
Financing activities			
Issue of B Shares		**7,000**	-
Dividends paid		**(710,700)**	(581,110)
Purchase of own shares for treasury		**-**	(68,906)
Proceeds from sale of treasury shares		**26,625**	4,125
Net cash used in financing activities		**(677,075)**	(645,891)
Net (decrease)/increase in cash and cash equivalents		**243,094**	(657,575)
Cash and cash equivalents at beginning of year		**(138,505)**	519,070
Cash and cash equivalents at end of year		**104,589**	(138,505)

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 Accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by the Act the separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below:

- Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

2 Operating loss

The auditors' remuneration for audit and other services is disclosed in note 9 to the consolidated financial statements.

3 Finance costs

	2014 £	2013 £
Interest expense for bank overdraft	**1,026**	344

4 Finance income

	2014 £	2013 £
Interest received	**-**	-
Dividend from available-for-sale financial asset	**138**	200
	138	200

5 Tax

	2014 £	2013 £
Deferred tax charge for the period	**(10,721)**	-
Deferred tax credit in respect of previous period	**(106,672)**	-
Tax credit for the year	**(117,393)**	-

Reconciliation of effective tax rate

	2014	2013
Profit before tax	**316,122**	1,234,674
Tax at applicable rate 21.5% (2013: 23.25%)	**67,945**	287,062
Tax effect of:		
Expenses that are not deductible for tax	**14,568**	2,805
Group income	**-**	(348,750)
Share options exercised	**(23,213)**	(7,148)
Adjustment to tax charge in respect of previous	**(106,672)**	
Losses utilised no previously recognised in Deferred tax	**(66,606)**	-
Changes in rate on deferred tax	**(4,172)**	-
Franked investment income	**(30)**	(47)
Group relief	**787**	66,078
Total tax charge/(credit)	**(117,393)**	-

6 Subsidiaries

Details of the Company's subsidiaries at 31 December 2014 are as follows:

	Place of incorporation	Proportion of ownership
Pennant Training Systems Limited	England	100%
Pennant Information Services Limited	England	100%
Pennant Software Services Limited	England	100%
Pennant Canada Limited	Canada	100%
Pennant Australasia Pty Limited	Australia	100%
Pennant Information Services Inc.	U.S.A	100%
Pennant EBT Trustee Limited	England	100%

The investments in subsidiaries are all stated at cost.

7 Cash and cash equivalents

These comprise cash held by the company and short-term bank deposits with an original maturity of three months or less.

8 Trade and other payables

Trade payables principally comprise amounts outstanding for services and ongoing costs. The carrying amount approximates their fair value.

9 Borrowings

Details of the Group overdraft arrangements are set out in note 25 to the consolidated financial statements.

10 Share capital

Details are set out in note 28 to the consolidated financial statements.

11 Deferred tax

	Accelerated tax depreciation	Other temporary differences	Tax losses	Total
	£	£	£	£
At 1 January 2014	-	-	-	-
Credit to income	-	-	117,393	117,393
At 31 December 2014	**-**	**-**	**117,393**	**117,393**

12 Note to statement of cash flows

	2014	2013
	£	£
Cash generated from operations		
Profit for the year	**316,122**	1,234,674
Dividend received from subsidiary	**-**	(1,500,000)
Tax charge	**-**	-
Finance costs	**1,026**	344
Finance income	**(138)**	(200)
Share-based payment	**53,674**	19,734
Operating cash flows before movement in working capital	**370,684**	(245,448)
Decrease/(increase in receivables)	**293,806**	535,336
(Decrease)/increase in payables	**256,567**	(1,801,428)
Cash generated from operations	**921,057**	(1,511,540)
Interest paid	**(1,026)**	(344)
Net cash generated from operations	**920,031**	(1,511,884)

13 Financial instruments

The Company's approach to the management of capital and market risks is set out in note 34 to the consolidated financial statements. To address its liquidity risk the Company ensures that sufficient cash and undrawn facilities are available to fund ongoing operations and to meet its medium term capital and funding obligations. The Company is from time to time exposed to interest rate risk on a bank overdraft. Interest is paid on its bank overdraft at 2.00% (2013: 2.75%) over base rate. 1% rise/fall in interest rates would have decreased/ increased profit for the year by an immaterial amount (2013: immaterial). The Company is not exposed to foreign currency risks.

Categories of financial instruments

	2014	2013
	£	£
Financial assets		
Available for sale financial assets	**3,700**	3,700
Loans and receivables		
Trade and other receivables	**1,512**	2,543
Amounts due from subsidiaries	**-**	292,775
Cash and cash equivalents	**104,589**	-
	109,801	299,018
Financial liabilities		
Measured at amortised cost		
Trade and other payables	**146,758**	156,835
Amounts due to subsidiaries	**3,048,865**	2,782,221
Bank overdraft	**-**	138,505
	3,195,623	3,077,561

14 Contingent liabilities

The Company is party to a group registration for the purposes of Value Added Tax (VAT). Members of the group are jointly and severally liable for the total tax due. The total amount of VAT payable by the group registration and not accrued in the statement of financial position was £46,182 (2013: £24,680).

15 Transaction with a Director

On 29 April 2014, as part of an incentive arrangement, Mr C Snook purchased 1,400,000 B shares of £.001per share in the Company at a price of £0.005 per share. The rights and obligations attaching to the B shares are set out in note 28.

16 Related party transactions

The Company has provided guarantees to the bank in respect of its bank borrowings and any bank borrowings of its subsidiaries as set out in note 25.

The Company has guaranteed the payment of rent under a lease agreement for office premises occupied by a subsidiary company. The lease runs for 5 years from 1 February 2015 at an annual rental of £51,135.

Other transactions with related parties consist of management charges for services provided to and by subsidiary companies as disclosed on the face of the statement of comprehensive income.