**Pennant International Group plc**
**Interim Results for the six months ended 30 June 2011**
**5 September 2011**

Pennant International Group plc ("Pennant" or "the Group"), the AIM quoted supplier of integrated logistic support solutions, products and services, principally to the defence, rail, aerospace and naval sectors and to Government Departments, announces interim results for the six months ended 30 June 2011.

**Commenting on the Group's performance, Chairman Christopher Powell said:**
*"I am pleased to report a profitable first half in which major contract wins have substantially increased the Group's order book.. Activity in respect of these new orders will increase progressively during the second half and they are expected to contribute significantly to revenues in 2012 and beyond.*

*"In addition to the new orders won, tendering activity remains high particularly in the Training Systems Division providing a growing pipeline of opportunities for the medium term."*

**Highlights: Financial**

- Group revenues for the period of £4.96million (2010: £4.89million);
- Gross margin of 40.5% (2010: 41.4%);
- Operating profit of £279,000 (2010: £220,000);
- Profit before tax of £272,000 ( 2010: £209,000);
- Profit attributable to equity holders of £202,000 (2010: £189,000) after full tax charge of £70,000 (2010: £20,000 charge);
- Earnings per share of 0.72pence (2010: 0.67pence);
- Net cash at period end of £699,000 (2010: £1,026,000);
- Interim Dividend of 0.5pence per share (2010: 0.25p per share);

**Highlights: Operational**

- Substantially increased order book with tendering activities in Training Systems Division remaining particularly high;
- Training Systems: awarded the Group's largest ever contract worth in excess of £10million for Maintenance Training Equipment for the AW 159 Lynx Wildcat helicopter; successful completion of upgrade of electronic classrooms used to train Royal Australian Air Force maintenance personnel on Hawk Lead in Fighter; ongoing support revenues;
- Data Services: A new Professional Services Agreement with Capgemini UK PLC developing the next generation of Basic PAYE Tools to support the introduction by HMRC of Real Time Information into PAYE; ongoing work on rail sector contract with potential value in excess of US$2million to supply manuals and training on major programme for supply of rolling stock;
- Software Services: continuing resilient revenues from five year contract with Canadian Department of National Defence for support to maximise effective use of OmegaPS; sale of new OmegaPS licences to Shenjang Aircraft Research and Design Institute of China; ongoing maintenance revenues from existing OmegaPS licences:

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

*"the Group's order book is strong and there has been a high level of tendering activity in the Training Systems Division providing a growing pipeline of opportunities. This, together with the ongoing revenue streams from support and consultancy agreements, a strong balance sheet and a good cash position give your board confidence for the future."*

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**Pennant International Group plc**
**Interim Report for the six months ended 30 June 2011**

## Chairman's Statement

I am pleased to report a profitable first half in which major contract wins have substantially increased the Group's order book. Activity in respect of these new orders will increase progressively during the second half and they are expected to contribute significantly to revenues in 2012 and beyond.

In addition to the new orders won, tendering activity remains high particularly in the Training Systems Division providing a growing pipeline of opportunities for the medium term.

### Results

Turnover for the period was £4.96 million (Interim 2010: £4.89 million) and gross margin was 40.5% (Interim 2010: 41.4%). Administrative expenses were down by 3% at £1.73million (Interim 2010: £1.78 million). As a consequence of these factors there was a 30% increase in profit before tax to £271,789 (Interim 2010: £209,078).

The recognition, for the first time, of tax losses as a deferred tax asset in the annual accounts to 31 December 2010 has resulted in a full tax charge for the period of £70,000 (2010: £20,000). The profit after tax was £201,789 (Interim 2010: £189,078). Basic earnings per share rose to 0.72p (Interim 2010: 0.67p).

Cash generated from operations was £266,886 (Interim 2010: £489,464). Cash at the end of the period was £853,753 (Interim 2010: £1,371,938). After deducting borrowings the Group had net cash of £698,949 (Interim 2010: £1,025,510). The cash balance reflects the continuing policy of purchasing the Company's own shares when appropriate and the timing of contract stage payments.

Your Board is declaring the payment of an interim cash dividend of 0.5p per share (Interim 2010: 0.25p). The dividend will be paid on 30 September 2011 to shareholders on the register at close of business on 16 September 2011.The shares are expected to go ex-dividend on 14 September 2011.

### Current trading

The principal activities and achievements in the period included:

- A contract with AgustaWestland worth in excess of £10 million for Maintenance Training Equipment for the AW159 Lynx Wildcat helicopter. This is the largest contract ever won by the Group and will provide substantial revenues through 2012 and 2013.
- Successful completion of the upgrade of electronic classrooms in Australia used to train RAAF personnel in the maintenance of the Hawk Lead in Fighter. Also extension of the contract to support the classrooms for a further two years to 2013.
- Ongoing work and extensions to contract with BAE Systems for computer-based training systems and emulations supporting their sale of Hawk aircraft to India

- A new Professional Services Agreement with Capgemini UK PLC developing the next generation of Basic PAYE Tools to support the introduction by HMRC of Real Time Information into PAYE.
- Ongoing work on a contract in the rail sector with potential value in excess of US$ 2 million to supply manuals and training to a major programme for the supply of rolling stock.
- Continuing resilient revenues from the consultancy agreement with the Canadian Department of National Defence for support to maximise effective use of OmegaPS.
- The sale of new OmegaPS licences to Shenyang Aircraft Research & Design Institute.

In addition to the above ongoing revenue streams have continued under other support and consultancy agreements with:

- UK Ministry of Defence - support of 140 training devices in use at military training establishments.
- BAE Australia – support of classrooms and training equipment in respect of the Hawk Lead in Fighter.
- Australian Defence Organisation – specialist consultancy in respect of the support of OmegaPS.
- Various customers – software maintenance agreements in respect of OmegaPS installations.
- Krauss Maffei Wegmann – support of a number of rail and police car simulators.
- TOTAL E&P UK PLC – provision of draughting services.

**Outlook**

The Group's order book is strong and there has been a particularly high level of tendering in the Training Systems Division providing a growing pipeline of opportunities. This together with the ongoing revenue streams from support and consultancy agreements, a strong balance sheet and a good cash position give your Board confidence for the future.

C C Powell
Chairman
5 September 2011

**PENNANT INTERNATIONAL GROUP plc**

**CONSOLIDATED INCOME STATEMENT** for the six months ended 30 June 2011

| | Notes | Six months ended 30 June 2011 | Six months ended 30 June 2010 | Year ended 31 December 2010 |
|---|---|---|---|---|
| | | Unaudited | Unaudited | Audited |
| | | £ | £ | £ |
| Revenue | | 4,963,351 | 4,892,160 | 9,572,948 |
| Cost of sales | | (2,954,350) | (2,888,655) | (5,605,421) |
| **Gross profit** | | 2,009,001 | 2,003,505 | 3,967,527 |
| | | | | |
| Administrative expenses | | (1,730,085) | (1,783,472) | (3,425,368) |
| **Operating profit** | | 278,916 | 220,033 | 542,159 |
| | | | | |
| Finance costs | | (7,152) | (11,023) | (17,051) |
| Finance income | | 25 | 68 | 340 |
| **Profit before taxation** | | 271,789 | 209,078 | 525,448 |
| | | | | |
| Taxation | 2 | (70,000) | (20,000) | 35,017 |
| **Profit for the period** | | 201,789 | 189,078 | 560,465 |
| | | | | |
| Earnings per share | 3 | | | |
| Basic | | 0.72p | 0.67p | 2.01p |
| Diluted | | 0.70p | 0.61p | 1.96p |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
for the six months ended 30 June 2011

| | | Six months ended 30 June 2011 | Six months ended 30 June 2010 | Year ended 31 December 2010 |
|---|---|---|---|---|
| | | Unaudited | Unaudited | Audited |
| | | £ | £ | £ |
| Profit attributable to equity holders of the parent | | 201,789 | 189,078 | 560,465 |
| Other comprehensive income: | | | | |
| Exchange differences on translation of foreign operations | | 6,351 | 68,412 | 151,595 |
| **Comprehensive income attributable to equity holders of the parent** | | 208,140 | 257,490 | 712,060 |

**PENNANT INTERNATIONAL GROUP plc**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** as at 30 June 2011

| | 30 June 2011 | 30 June 2010 | 31 December 2010 |
|---|---|---|---|
| | Unaudited | Unaudited | Audited |
| | £ | £ | £ |
| **Non-current assets** | | | |
| Goodwill | 996,952 | 954,198 | 991,557 |
| Other intangible assets | 69,865 | 78,361 | 75,123 |
| Property plant and equipment | 1,792,534 | 1,789,942 | 1,776,559 |
| Available-for-sale investments | 3,700 | 3,700 | 3,700 |
| Deferred tax asset | 166,187 | 41,542 | 226,452 |
| Total non-current assets | 3,029,238 | 2,867,743 | 3,073,391 |
| | | | |
| **Current assets** | | | |
| Inventories | 9,340 | 26,840 | 44,375 |
| Trade and other receivables | 2,703,983 | 2,226,901 | 2,388,739 |
| Cash and cash equivalents | 853,753 | 1,371,938 | 1,414,759 |
| Total current assets | 3,567,076 | 3,625,679 | 3,847,873 |
| | | | |
| **Total assets** | 6,596,314 | 6,493,422 | 6,921,264 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 1,280,398 | 1,124,425 | 1,047,586 |
| Current tax liabilities | 12,000 | 18,335 | 17,000 |
| Obligations under finance leases | 17,596 | 4,373 | 20,179 |
| Bank loan | 137,208 | 187,616 | 190,730 |
| Deferred revenue | 321,452 | 336,969 | 338,815 |
| Total current liabilities | 1,768,654 | 1,671,718 | 1,614,310 |
| | | | |
| **Net current assets** | 1,798,422 | 1,953,961 | 2,233,563 |
| | | | |
| **Non current liabilities** | | | |
| Bank loan | - | 140,118 | 42,639 |
| Obligations under finance leases | - | 14,321 | - |
| Deferred tax liabilities | 122,537 | - | 134,968 |
| Deferred revenue | 4,917 | 4,887 | 6,648 |
| Total non-current liabilities | 127,454 | 159,326 | 184,255 |
| | | | |
| **Total liabilities** | 1,896,108 | 1,831,044 | 1,798,565 |
| | | | |
| **Net assets** | 4,700,206 | 4,662,378 | 5,122,699 |
| | | | |
| **Equity** | | | |
| Share capital | 1,475,000 | 1,600,000 | 1,475,000 |
| Capital redemption reserve | 125,000 | - | 125,000 |
| Treasury shares | (439,321) | (474,518) | (81,076) |
| Retained earnings | 3,135,225 | 3,222,128 | 3,205,824 |
| Translation reserve | 404,302 | 314,768 | 397,951 |
| **Total equity** | 4,700,206 | 4,662,378 | 5,122,699 |

**PENNANT INTERNATIONAL GROUP plc**

**CONSOLIDATED STATEMENT OF CASH FLOWS** for the six months ended 30 June 2011

| | Notes | Six months ended 30 June 2011 | Six months ended 30 June 2010 | Year ended 31 December 2010 |
|---|---|---|---|---|
| | | Unaudited | Unaudited | Audited |
| | | £ | £ | £ |
| **Net cash generated from operating activities** | 4 | 266,886 | 489,464 | 962,295 |
| | | | | |
| **Investing activities** | | | | |
| Interest received | | 25 | 68 | 340 |
| Purchase of intangible assets | | (17,802) | (38,475) | (66,074) |
| Purchase of property plant and equipment | | (80,379) | (50,625) | (92,529) |
| Loan to Employee Benefit Trust | | - | - | (292,775) |
| Net cash used in investing activities | | (98,156) | (89,032) | (451,038) |
| | | | | |
| **Financing activities** | | | | |
| Dividends paid | | (273,888) | (280,701) | (349,698) |
| Transactions in own shares | | (358,245) | (4,200) | 44,529 |
| Repayment of borrowings | | (96,161) | (89,825) | (184,190) |
| Repayment of obligations under finance leases | | (2,583) | (1,579) | (94) |
| Net cash used in financing activities | | (730,877) | (376,305) | (489,453) |
| | | | | |
| **Net (decrease)/ increase in cash and cash equivalents** | | (562,147) | 24,127 | 21,804 |
| | | | | |
| Cash and cash equivalents at beginning of period | | 1,414,759 | 1,284,384 | 1,284,384 |
| Effect of foreign exchange rates | | 1,141 | 63,427 | 108,571 |
| | | | | |
| **Cash and cash equivalents at end of period** | | 853,753 | 1,371,938 | 1,414,759 |

**PENNANT INTERNATIONAL GROUP plc**

**STATEMENT OF CHANGES IN EQUITY** for the six months ended 30 June 2011

| | **Share capital** | **Capital Redemption reserve** | **Treasury shares** | **Retained earnings** | **Translation reserve** | **Total equity** |
|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** | **£** |
| At 1 January 2010 | 1,600,000 | - | (470,318) | 3,307,493 | 246,356 | 4,683,531 |
| Total comprehensive income for the year | - | - | - | 560,465 | 151,595 | 712,060 |
| Capital reduction | (125,000) | 125,000 | 292,425 | (292,425) | - | - |
| Purchase of treasury shares | - | - | 96,817 | (52,288) | - | 44,529 |
| Recognition of share based payment | - | - | - | 32,277 | - | 32,277 |
| Dividends paid | - | - | - | (349,698) | - | (349,698) |
| At 31 December 2010 | 1,475,000 | 125,000 | (81,076) | 3,205,824 | 397,951 | 5,122,699 |
| Total comprehensive income for the half year | - | - | - | 201,789 | 6,351 | 208,140 |
| Dividends paid | - | - | - | (273,888) | - | (273,888) |
| Transactions in treasury shares | - | - | (358,245) | - | - | (358,245) |
| Share based payment | - | - | - | 1,500 | - | 1,500 |
| **At 30 June 2011** | 1,475,000 | 125,000 | (439,321) | 3,135,225 | 404,302 | 4,700,206 |

# PENNANT INTERNATIONAL GROUP plc

## NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2011

### 1. Basis of preparation

This condensed set of financial statements has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs). The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied to the Group's latest annual audited financial statements. The following standards, amendments to standards and interpretations have been adopted by the EU and are mandatory for the first time for the financial year beginning 1 January 2011 but have had no effect on the information presented in this condensed set of financial statements:

| | |
|---|---|
| IAS 24 Related Party Disclosure (revised 2009) | Amends the definition of related party and modifies certain related party disclosure requirements for government related entities. |
| Improvements to IFRSs 2010 IFRS 1 | Relate to first time adoption of IFRS. |
| Improvements to IFRSs 2010 IFRS 7 Financial Instruments: Disclosures | Requirement for qualitative disclosure as well as quantitative disclosure to better enable evaluation of risk arising from financial instruments. |
| Improvements to IFRSs 2010 IAS 1 Presentation of Financial Statements | Clarifies that changes in each component of equity arising from transactions recognised as other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. |
| Improvements to IFRS 2010 IAS 34 Interim Financial Reporting | Adds examples to the list of events or transactions that require disclosure under IAS 34 and removes references to materiality. |
| Improvements to IFRSs 2010 IFRIC 13 Customer Loyalty Programmes | Clarifies the fair value of award credits. |
| IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14) | Removes the unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. |

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

The results for the year ended 31 December 2010 set out in this Interim Report are not statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498 (2) or s498(3) of the Companies Act 2006.

### 2. Taxation

The taxation charge for the period is based on the estimated rate of tax that is likely to be effective for the full year to 31 December 2011.

**3. Earnings per share**

Basic earnings per share are calculated by dividing the profit for the period attributable to the shareholders by the weighted average number of shares in issue. The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options.

| | Six months ended 30 June 2011 | Six months ended 30 June 2010 | Year ended 31 December 2010 |
|---|---|---|---|
| | £ | £ | £ |
| **Earnings** | | | |
| Net profit attributable to equity shareholders | 201789 | 189,078 | 560,465 |
| | | | |
| **Number of shares** | Number | Number | Number |
| Weighted average number of ordinary shares | 28,115,886 | 28,070,116 | 27,908,547 |
| Number of dilutive shares under option | 720,000 | 2,760,000 | 720,000 |
| Weighted average number of ordinary shares for the purpose of dilutive earnings per share | 28,835,886 | 30,830,116 | 28,628,547 |

**4. Cash generated from operations**

| | Six months ended 30 June 2011 | Six months ended 30 June 2010 | Year ended 31 December 2010 |
|---|---|---|---|
| | £ | £ | £ |
| Profit for the period | 201,789 | 189,078 | 560,465 |
| Finance income | (25) | (68) | (340) |
| Finance costs | 7,152 | 11,023 | 17,051 |
| Income tax expense/(credit) | 70,000 | 20,000 | (35,017) |
| Share-based payment | 1,500 | 6,258 | 32,277 |
| Depreciation charge | 87,044 | 88,704 | 178,137 |
| **Operating cash flows before movement in working capital** | 367,460 | 314,995 | 752,573 |
| | | | |
| (Increase)/decrease in receivables | (315,244) | 120,278 | 251,215 |
| Decrease/(increase) in inventories | 35,035 | (10,500) | (28,035) |
| Increase in payables | 232,812 | 134,606 | 57,767 |
| Decrease in deferred revenue | (19,094) | (43,138) | (39,531) |
| **Cash generated from operations** | 300,969 | 516,241 | 993,989 |
| | | | |
| Tax paid | (26,931) | (15,754) | (14,643) |
| Interest paid | (7,152) | (11,023) | (17,051) |
| **Net cash generated from operations** | 266,886 | 489,464 | 962,295 |

**5. Copies of this statement**

Copies of this statement will be sent to shareholders and will be available on the Group's website (www.pennantplc.co.uk) and from Pennant International Group plc, Pennant Court, Staverton Technology Park, Cheltenham, GL51 6TL.