COMPANY NUMBER: 3187528

PENNANT INTERNATIONAL GROUP PLC

FINANCIAL STATEMENTS

31 DECEMBER 2015

PENNANT INTERNATIONAL GROUP PLC

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

Director	C C Powell	(Chairman)
	C Snook	(Chief Executive)
	J K Powell	(Retired 3 March 2016)
	P H Walker	
	S A Moore	(Appointed 18 November 2015)
Secretary	P H Walker	
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

The Group has experienced challenging market conditions throughout the year to 31st December 2015. In last September's Interim Statement, the Group cautioned that the outcome for the full year was dependent on the timing of securing certain contracts with an aggregate tender value in excess of £15m. The lengthy delays in the award of these contracts, caused by the weakness of the oil price, national and international political and economic uncertainty, together with the complexities of public sector procurement, have adversely impacted the results for the year.

In light of these challenges, the Board took remedial action during the year to re-align its cost base, including reducing head count in the Training and Data Services divisions at a cost of £148,000. On an annualised basis, staffing costs were reduced by in excess of £1m going into 2016.

I am pleased to report that one of those contracts was secured before the year end and another has been secured since the year end. We remain optimistic of receiving confirmation of the remaining contract shortly which will provide much greater visibility to earnings in 2016 and 2017.

Results and Dividend

The reported loss for the year of £2.31 million (2014: profit £2.98 million) has resulted in a 33% reduction in consolidated net assets to £6.26 million (2014: £9.42 million).

Consolidated revenues were significantly lower at £9.89 million (2014: £17.80 million), driven by the unexpected delays in the three major contract awards highlighted last September.

Cash generated from operations amounted to £1.10 million (2014: £1.69 million) reflecting the stable working capital position and the positive impact on cashflow of contracted stage payments on major contracts.

The Group has successfully claimed UK R&D tax credits of £0.5m (2014: £1.6 million) which, together with the trading losses generated, means that the Group has unrelieved tax losses of £4.7 million carried forward into 2016 (2015: £3.0 million).

Notwithstanding the Group's positive cash generation and nil net borrowings, the disappointing trading performance in 2015 combined with the delay in the confirmation of several major new contract awards, leads the Board to conclude that it would be prudent to suspend the payment of a final dividend in respect of the year ended 31 December 2015. The Board does, however, reserve its position regarding the level of any Interim Dividend which may be paid in respect of the current financial year.

About Pennant

Pennant 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.

Training Systems Division

Whilst the Training Systems Division continues to be the main driver within the Group, revenues for the year were significantly below anticipated levels at £4.9 million (2014: £12.3 million). This reduction was a direct result of delays to key contract awards highlighted above.

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.

The Division has significant ongoing orders that will provide work through 2016 and beyond and there is active involvement with existing and new customers regarding a number of additional major opportunities. Although the timing of major contract awards has proved to be both difficult to predict and beyond the Group’s control, the Board considers that a number of factors point towards significant potential for further growth:

- new capital equipment platforms are becoming more sophisticated and complex thereby increasing the requirement for training;
- the use of ‘real’ equipment for training has safety implications, is expensive and often impractical; 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 major new contract has been secured with General Dynamics UK, a new customer for the Group, worth over £7m, with a potential total value in excess of £9m. The contract is for the development of Computer based training and electro-mechanical maintenance trainers for the AJAX armoured fighting vehicle programme currently being developed for the British Army.
- A further two year extension to the integrated support contract to the Flight Simulation and Synthetic Trainers Project Team has been secured. The option exercised is valued at £2.4m and commences on 1 April 2016, running through to 31 March 2018. Under the contract the Company will continue to provide maintenance and post design support to synthetic and mechanical devices used for Tri-Service aircraft maintenance, ground and rear crew training. Pennant has carried out this role since 2000.
- The company has commenced pre contract work on the development of training for aircrew and engineering staff for a leading global aerospace and defence contractor, a landmark new customer for Pennant. The contract was announced in February 2016.
- The successful manufacture and delivery of training aids to BAE Systems Australia Limited as part of a £16m contract. The Company has commenced work to support the devices in service which is renewable on an annual basis for a five year rolling period.
- The successful implementation of a £1.7m upgrade programme with Agustawestland to the Wildcat training devices delivered in 2013 and 2014.

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 steady year with revenues of £3.1 million (2014: £3.4 million), although these results were impacted by adverse movements in the Aus$ and Can$. The recent renewal of the CAN$19.7 million Canadian Department of Defence specialist consultant support contract is now fully operation and expected to grow through 2016 and beyond.

The contribution to Group operating profit reduced to £149,110 (2014: £338,632). This reduction has arisen mainly due to a change in sales mix with lower than anticipated license sales.

In March 2015, the Division successfully renewed a multi-year contract extension to the current contract with the Australian Department of Defence, Defence Material Organisation to support OmegaPS. The $3.3 million contract is for a three year term.

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 for the year were lower at £2.0 million (2014: £2.1 million) which resulted in an operating loss of £138,138 (2014: £20,905 profit). This was largely the result of a delay in the award of a rail contract which is expected to be secured during the first half of the current year and which will contribute to current year performance.

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

- An on-going contract to provide all Operation, Maintenance and Training Documentation for the R188 Rail Car Project currently being built by Kawasaki Rail Car Inc. for New York City Transit Department;
- 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
- Securing the Best VizSim award at Unite 2015 in Boston for our Virtual Parachute Training Simulator.

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

People

The Group's employees have 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.

Strategy

The Board has consistently applied a 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. It is the Board’s intention to augment organic growth by taking advantage of potential opportunities which may arise for complementary, earnings enhancing acquisitions.

This strategy continued during 2015 and has generated considerable tendering activity, particularly for Training Systems, and regular involvement with customers in respect of a strong pipeline of opportunities.

Outlook

The current order book for 2016, which stands at a level in excess of Group revenues achieved in 2015, together with the prospect pipeline remains encouraging. However, the overall outcome for the current year is dependent upon securing a major new contract for which we are awaiting confirmation. Notwithstanding the ongoing challenging market conditions, the board remains confident that this contract will be awarded shortly and, combined with the steps taken during the year to re-align the Group’s cost base and the recently awarded new contracts, will together produce a much improved outcome for the year.

Approved by the Board on 4 March 2016
and signed on its behalf

C. C. Powell
Chairman

The directors present their report and the audited financial statements for the year ended 31 December 2015.

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 £794,168 were paid during the year (2014: £710,700). The Board is suspending the payment of a final cash dividend.

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 exposure and approach to capital and financial risk, and approach to managing these 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 14 April 2015, the directors were granted authority to purchase through the market 3,970,839 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 14 April 2015 the directors have purchased through the market NIL ordinary shares for Treasury and have remaining authority to purchase 3,970,839 ordinary shares. A proposal to renew the authority will be made at the 2016 AGM.

Directors and their interests
The following directors have held office since 1 January 2015 except where indicated otherwise and their beneficial interests in the ordinary shares of the Company were stated below:

	31 December 2015 5p ordinary shares	31 December 2014 5p ordinary shares
	Number	Number
C C Powell*	**10,301,533**	10,301,533
J K Powell* (retired 3 March 2016)	**10,301,533**	10,301,533
C Snook	**1,487,500**	1,487,500
P H Walker	**-**	-
S A Moore (appointed 18 November 2015)	**-**	-

*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 P Walker has a beneficial interest in 700,000 C shares of £0.001 each that were issued on 2nd October 2015 (2014: NIL). Mr C Snook has a beneficial interest in 1,400,000 B shares of £0.001 each (2014: 1,400,000).

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 18 November 2015 Mr S A Moore was appointed to the Board as a non-executive Director and Chair of the Remuneration Committee.

The Board consists of the Chairman, the Chief Executive, the Chief Financial Officer and the Non-executive Directors. 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 Powell 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 directors 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 Directors. 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 2015**	2014
	£	£	£	£	**£**	£
C C Powell	125,000	-	24,000	-	**149,000**	246,000
C Snook	-	242,506	25,939	19,625	**288,070**	405,141
J K Powell	-	35,000	-	-	**35,000**	35,000
P H Walker	-	131,480	5,369	30,500	**167,349**	30,209
S A Moore	-	7,500	-	-	**7,500**	-
J M Waller	-	-	14,154	-	**14,154**	240,295
	125,000	416,486	69,462	50,125	**661,073**	956,645

Pension contributions shown above are pension payments into the Pennant International Group plc Pension Scheme, a defined contribution scheme. Pension contributions for 2014 were C Snook £20,000 and P Walker £2,000.

A review of the incentive arrangements in place for Mr P Walker, Chief Financial Officer, was carried out by the Remuneration Committee as the result of which, on 2 October 2015, 700,000 C shares of £0.001 per share were allotted and issued to Mr Walker at a price of £0.005 per share. The C 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 297,619 (2014: 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.

During the year the Remuneration Committee undertook an exercise which included reviewing directors' service contracts. This identified a national insurance and PAYE point that requires further clarification. This is in the process of being addressed with the relevant authorities.

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

Matters disclosed in the Chairman's Statement

The following are disclosed in the Chairman's statement

- Outlook
- Dividends

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.

Auditor

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

Approved by the Board on 4 March 2016
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 2015 which comprise the Consolidated and Parent Company Income Statements, the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statement of Cash Flows 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 12, 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 2015 and of the Group's loss 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

4 March 2016

PENNANT INTERNATIONAL GROUP PLC

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015	2014
Continuing operations		**£**	£
Revenue	5	**9,892,685**	17,798,023
Cost of sales		**(7,591,942)**	(10,841,174)
Gross profit		**2,300,743**	6,956,849
Administrative expenses		**(4,658,145)**	(4,782,146)
Operating (loss)/profit	8	**(2,357,402)**	2,174,703
Finance costs	10	**(25,682)**	(10,569)
Finance income	11	**4,905**	2,684
(Loss)/profit before taxation		**(2,378,179)**	2,166,818
Taxation credit	12	**72,445**	814,612
(Loss)/profit for the year attributable to the equity holders of the parent		**(2,305,734)**	2,981,430
Earnings per share	14		
Basic		**(8.71)p**	11.32p
Diluted		**(8.71)p**	10.88p

PENNANT INTERNATIONAL GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	£	£
(Loss)/profit for the year attributable to the equity holders of the parent	**(2,305,734)**	2,981,430
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	**(132,558)**	(12,235)
Total comprehensive income for the period attributable to the equity holders of the parent	**(2,438,292)**	3,854,000

PENNANT INTERNATIONAL GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

	Notes	2015 £	2014 £
Non-current assets			
Goodwill	15	**929,606**	941,457
Other intangible assets	16	**566,822**	850,486
Property, plant and equipment	17	**2,707,326**	2,999,600
Available-for-sale investments	18	**3,700**	3,700
Deferred tax assets	27	**530,622**	226,639
Total non-current assets		**4,738,076**	5,021,882
Current assets			
Inventories	19	**29,854**	29,000
Trade and other receivables	21	**3,743,435**	5,383,126
Cash and cash equivalents	22	**1,123,456**	1,068,632
Current tax asset		**-**	743,056
Total current assets		**4,896,745**	7,223,814
Total assets		**9,634,821**	12,245,696
Current liabilities			
Trade and other payables	23	**2,657,910**	2,179,010
Current tax liabilities		**123,465**	6,931
Obligations under finance leases	24	**13,761**	15,347
Deferred revenue	26	**174,168**	223,440
Total current liabilities		**2,969,304**	2,424,728
Net current assets		**1,927,441**	4,799,086
Non-current liabilities			
Obligations under finance leases	24	**8,424**	18,438
Deferred revenue	26	**-**	5,239
Deferred tax liabilities	27	**391,857**	379,952
Total non-current liabilities		**400,281**	403,629
Total liabilities		**3,369,585**	2,828,357
Net assets		**6,265,236**	9,417,339
Equity			
Share capital	28	**1,402,100**	1,401,400
Share premium account		**8,400**	5,600
Capital redemption reserve		**200,000**	200,000
Treasury shares	29	**(418,225)**	(418,225)
Retained earnings		**4,230,206**	7,207,603
Translation reserve		**3,598**	136,156
Revaluation reserve		**839,157**	884,805
Total equity		**6,265,236**	9,417,339

Approved by the Board and authorised for issue on 4 March 2016

C Snook
Director

P H Walker
Director

PENNANT INTERNATIONAL GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	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 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
Total comprehensive income	1,400,000	-	200,000	(459,288)	7,879,067	136,156	884,805	10,040,740
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 1 January 2015	1,401,400	5,600	200,000	(418,225)	7,207,603	136,156	884,805	9,417,339
Loss for the year	-	-	-	-	(2,305,734)	-	-	(2,305,734)
Other comprehensive income	-	-	-	-	-	(132,558)	-	(132,558)
Total comprehensive income	1,401,400	5,600	200,000	(418,225)	4,901,869	3,598	884,805	6,979,047
Issue of C shares	700	2,800	-	-	-	-	-	3,500
Recognition of share based payment	-	-	-	-	76,857	-	-	76,857
Transfer from revaluation reserve					45,648		(45,648)	-
Dividends paid	-	-	-	-	(794,168)	-	-	(794,168)
At 31 December 2015	**1,402,100**	**8,400**	**200,000**	**(418,225)**	**4,230,206**	**3,598**	**839,157**	**6,265,236**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015 (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.

Treasury shares
Treasury shares represent the cost of shares purchased in the market and held by Pennant Employee Benefit Trust to satisfy options under the group's share options schemes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Net cash from operations	30	**1,097,287**	1,694,866
Investing activities			
Interest received		**4,905**	2,684
Purchase of intangible assets		**(30,413)**	(802,565)
Purchase of property, plant and equipment		**(18,367)**	(251,100)
Net cash used in investing activities		**(43,875)**	(1,050,981)
Financing activities			
Issue of C shares		**3,500**	7,000
Dividends paid		**(794,168)**	(710,700)
Proceeds from sale of treasury shares		**-**	26,625
Net funds from obligations under finance leases		**(11,600)**	(10,615)
Net cash used in financing activities		**(802,268)**	(687,690)
Net increase / (decrease) in cash and cash equivalents		**251,144**	(43,805)
Cash and cash equivalents at beginning of year		**1,068,632**	1,156,950
Effect of foreign exchange rates		**(196,320)**	(44,513)
Cash and cash equivalents at end of year	22	**1,123,456**	1,068,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1 General information

Pennant International Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. 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 2015:

Endorsed		**Effective for periods beginning on or after:**
IFRIC 21	'Levies'	17 June 2014
Annual improvements to IFRS (2011 – 2013)		1 January 2015

The adoption of 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:**
IAS 1 (amendment)	'Presentation of Financial Statements' – Disclosure initiative	1 January 2016
IAS 16 (amendment)	'Property, Plant and Equipment' – IAS 38 & 41 amended	1 January 2016
IAS 19 (amendment)	'Employee Benefits' – Defined benefit plans; Employee contributions	1 February 2015
IAS 27 (amendment)	'Separate Financial Statements' – Equity method in separate financial statements	1 January 2016
IFRS 10 & 12 and IAS 28 (amendments)	'Consolidated Financial Statements', 'Disclosure of Interests in Other Entities' and 'Investments in Associates and Joint Ventures' – Investment entities: Applying the consolidation exception	Expected to be endorsed after 1 January 2016
IFRS 11 (amendment)	'Joint Arrangements' – Accounting for acquisitions of interests in joint operations	1 January 2016
IAS 7 (amendment)	'Statement of Cash Flows' – Disclosure initiative	Expected to be endorsed before 1 January 2017
IAS 12 (amendment)	'Income Taxes' – Recognition of deferred tax assets for unrealised losses	Expected to be endorsed before 1 January 2017
IFRS 9	'Financial Instruments'	Expected to be endorsed before 1 January 2018
IFRS 15	'Revenue from Contracts with Customers'	Expected to be endorsed before 1 January 2018
IFRS 16	'Leases'	Expected to be endorsed before 1 January 2019
IFRS 14	'Regulatory Deferral Accounts'	Will not be endorsed by the EU
IFRS 10 & IAS 28 (amendments)	'Consolidated Financial Statements' and 'Investments in Associates and Joint Ventures' – Sales or contribution of assets between an investor and associate or joint venture	Endorsement has been postponed indefinitely

The adoption of the above mentioned standards, amendments and interpretations in future years are not expected to have a material impact on the Group financial statements.

The Group is however continuing to assess the full impact that adopting the above standards will have on future financial statements, and therefore the full effect is yet to be determined.

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.

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.

3 Accounting policies (continued)

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).

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.

3 Accounting policies (continued)

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 a 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.

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.

3 Accounting policies (continued)

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.

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.

3 Accounting policies (continued)

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.

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.

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.

3 Accounting policies (continued)

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

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.

3 Accounting policies (continued)

Financial instruments (continued)

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 £504,000 (2014: £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 £929,606 (2014: £941,457) and the review carried out has shown no impairment.

5 Revenue

An analysis of the Group's revenue is as follows:	**2015**	2014
	£	£
Sale of goods	**101,512**	211,257
Rendering of services	**2,379,283**	2,400,519
Revenue from construction contracts	**6,803,194**	14,406,871
Software maintenance programmes	**608,696**	779,376
	9,892,685	17,798,023
Investment income	**4,905**	2,684
	9,897,590	17,800,707

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**	
	2015	2014	**2015**	2014
	£	£	**£**	£
Training Systems	**4,852,576**	12,262,320	**(2,654,828)**	1,498,156
Data Services	**2,045,418**	2,399,887	**(138,138)**	20,905
Software	**4,002,977**	4,889,293	**149,110**	338,632
	10,900,971	19,551,500	**(2,643,856)**	1,857,693
Inter-segment sales				
Training Systems	**-**	-		
Data Services	**(94,800)**	(255,336)		
Software	**(913,486)**	(1,498,141)		
External sales	**9,892,685**	17,798,023		
Unallocated corporate expenses			**286,454**	317,010
Net finance costs			**(20,777)**	(7,885)
(Loss) / Profit before tax			**(2,378,179)**	2,166,818

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

6 Segment information (continued)

6.2 *Segment assets and liabilities*

	2015	2014
Segment assets	**£**	£
Training Systems	**7,560,224**	9,337,064
Data Services	**1,704,114**	1,806,876
Software	**3,788,688**	3,923,426
	13,053,026	15,067,366
Eliminations on consolidation	**(3,392,563)**	(3,196,877)
Unallocated	**(25,642)**	375,207
Consolidated assets	**9,634,821**	12,245,696

Segment liabilities		
Training Systems	**2,396,568**	1,747,144
Data Services	**294,796**	320,995
Software	**615,248**	613,461
	3,306,612	2,681,600
Eliminations on consolidation	**-**	-
Unallocated	**62,973**	146,757
Consolidated liabilities	**3,369,585**	2,828,357

6.3 *Other segment information*

	Depreciation and amortisation		**Additions to non-current assets**	
	2015	2014	**2015**	2014
	£	£	**£**	£
Training Systems	**517,957**	260,712	**11,788**	936,333
Data Services	**53,489**	42,976	**6,792**	83,321
Software	**48,074**	42,957	**30,200**	34,011
	619,520	346,645	**48,780**	1,053,665

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***	
	2015	2014	**2015**	2014
	£	£	**£**	£
United Kingdom	**7,009,006**	14,717,943	**3,956,265**	4,511,189
USA	**11,979**	20,453	**-**	-
Canada	**2,576,451**	2,727,138	**6,577**	12,251
Australia	**295,249**	332,489	**240,912**	268,103
	9,892,685	17,798,023	**4,203,754**	4,791,543

* 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.

	2015	2014
	£	£
Training Systems		
Customer 1	**1,333,141**	Less than 10%
Customer 2	**1,742,575**	6,858,964
Software services		
Customer 3	**2,442,329**	2,483,146
Data services		
Customer 1	**1,742,575**	Less than 10%

7 Staff costs

	2015	2014
	£	£
Wages and salaries	**5,011,498**	5,938,094
Social security costs	**622,232**	708,343
Pension costs	**281,148**	250,641
	5,914,878	6,897,078

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

	Number	Number
Office and management	**14**	15
Production	**89**	105
Selling	**8**	8
	111	128

8 Operating (loss)/profit for the year

	2015	2014
	£	£
(Loss)/profit for the year has been arrived at after charging:		
Net foreign exchange losses	**15,510**	24,587
Research and development costs	**509,682**	1,603,395
Amortisation of intangible assets	**313,580**	80,010
Depreciation of property, plant and equipment	**305,940**	266,635
Share-based payment (note 32)	**76,857**	53,674
Redundancy cost	**148,291**	83,491

9 Auditor's remuneration

	2015	2014
	£	£
Fees payable to the company's auditor for:		
-The audit of the annual financial statements	**14,000**	12,000
-The audit of the company's group undertakings	**31,000**	27,000
Total audit fees	**45,000**	39,000
Fees payable to the company's auditor and its associates for other services to the Group:		
- Tax compliance services	**10,537**	5,950
- Other services relating to tax	**-**	96,082
Total non-audit fees	**10,537**	102,032
	55,537	141,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

10 Finance costs

	2015	2014
	£	£
Interest expense for financial lease arrangements	**1,943**	4,846
Interest expense for bank overdraft	**22,830**	3,788
Other interest expense	**909**	1,935
	25,682	10,569

11 Finance income

	2015	2014
	£	£
Income from bank deposits	**464**	2,424
Dividends receivable from available-for-sale investments	**-**	138
Other interest receivable	**4,441**	122
	4,905	2,684

12 Taxation

	2015	2014
	£	£
Recognised in the income statement		
Current UK tax expense	**-**	-
Foreign tax	**113,334**	26,175
Double taxation relief	**-**	-
In respect of prior years	**107,959**	(684,938)
	221,293	(658,763)
Deferred tax expense relating to origination and reversal of temporary differences	**(256,627)**	(155,849)
Effect of tax rate change on opening balance	**(37,111)**	-
Total tax expense	**(72,445)**	(814,612)

	2015	2014
Reconciliation of effective tax rate		
(Loss)/Profit before tax	**(2,378,179)**	2,166,818
Tax at the applicable rate of 20.25% (2014: 21.5%)	**(481,582)**	465,717
Tax effect of expenses not deductible in determining taxable profit	**48,897**	56,921
Additional deduction for R&D expenditure	**(152,405)**	(474,588)
Tax effect of utilisation of losses not previously recognised	**(1,423)**	(871,341)
Foreign tax credits	**76,500**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**7,770**	6,612
Effect of small companies rate	**-**	-
Effect of change of deferred tax rate	**53,217**	(67,151)
Losses arising not recognised in deferred tax	**287,222**	93,043
Effect of adjustments for prior years	**101,068**	-
Effect of share options exercised	**-**	(23,213)
Other differences	**(11,709)**	(612)
Total tax expense	**(72,445)**	(814,612)

13 Dividends

Two dividends were paid during the year amounting to 3.00p per share in aggregate (2014: 2.70p). No final dividend will be proposed at the Annual General Meeting (2014: 2.00p).

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:

	2015	2014
	£	£
(Loss) / profit after tax attributable to equity holders	**(2,305,734)**	2,981,430

	Number	Number
Weighted average number of ordinary shares in issue during the year	**26,472,261**	26,347,261
Diluting effect of share options	**1,610,714**	1,065,000
Diluted average number of ordinary shares	**28,082,975**	27,412,261

15 Goodwill

	£
Carrying amount	
At 1 January 2014	946,749
Currency translation	(5,292)
At 1 January 2015	941,457
Currency translation	(11,851)
At 31 December 2015	**929,606**

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:

	2015	2014
	£	£
Cash generating unit		
Data Services division	**583,900**	583,900
Software division	**345,706**	357,557
	929,606	941,457

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% (2014: 3.5%). These forecast cash flows are discounted at 7.5% per annum (2014: 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 2014	312,701	151,753	464,454
Currency translation	(851)	-	(851)
Additions	46,565	756,000	802,565
At 1 January 2015	358,415	907,753	1,266,168
Currency translation	(2,849)	-	(2,849)
Additions	30,413	-	30,413
At 31 December 2015	**385,979**	**907,753**	**1,293,732**
Amortisation			
At 1 January 2014	184,527	151,753	336,280
Currency translation	(608)	-	(608)
Charge for the year	80,010	-	80,010
At 1 January 2015	263,929	151,753	415,682
Currency translation	(2,352)	-	(2,352)
Charge for the year	61,580	252,000	313,580
At 31 December 2015	**323,157**	**403,753**	**726,910**
Carrying amount			
At 31 December 2015	**62,822**	**504,000**	**566,822**
At 31 December 2014	94,486	756,000	850,486

17 Property, plant and equipment

	Land and buildings	Fixtures and equipment	Motor vehicles	Total
	£	£	£	£
Cost / Valuation				
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	492,008	-	-	492,008
At 1 January 2015	2,320,000	2,096,098	54,740	4,470,838
Currency translation	-	(13,477)	(2,900)	(16,377)
Additions	-	18,367	-	18,367
Disposals	-	(14,681)	-	(14,681)
At 31 December 2015	**2,320,000**	**2,086,307**	**51,840**	**4,458,147**
Depreciation				
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
Revaluation	(613,998)	-	-	(613,998)
At 1 January 2015	-	1,454,515	16,723	1,471,238
Currency translation	-	(11,555)	(121)	(11,676)
Charge for year	91,704	207,447	6,789	305,940
Disposals	-	(14,681)	-	(14,681)
At 31 December 2015	**91,704**	**1,635,726**	**23,391**	**1,750,821**
Carrying amount				
At 31 December 2015	**2,228,296**	**450,581**	**28,449**	**2,707,326**
At 31 December 2014	2,320,000	641,583	38,017	2,999,600

Included within land and buildings is land valued at £575,000 (2014: £575,000).

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 and rental yields for similar properties.

At 31 December 2015, 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 2015.

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 2015 the market value of this investment was £3,288 (2014: £3,062).

19 Inventories

	2015	2014
	£	£
Raw materials and consumables	**29,854**	29,000

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

20 Construction contracts

	2015	2014
	£	£
Contracts in progress:		
Amounts due from contract customers included in trade and other receivables (note 21)	**1,260,534**	3,236,573
Amounts due to contract customers included in trade and other payables (note 23)	**(972,899)**	(124,725)
	287,635	3,111,848
Contract costs incurred plus recognised profits less recognised losses to date	**34,767,715**	27,922,969
Less: progress billings	**(34,480,080)**	(24,811,121)
	287,635	3,111,848

21 Trade and other receivables

	2015	2014
	£	£
Trade receivables	**2,058,363**	1,725,296
Amounts due from construction customers (note 20)	**1,260,534**	3,236,573
Other receivables	**151,556**	152,180
Prepayments and accrued income	**272,982**	269,077
	3,743,435	5,383,126

There are no unimpaired trade receivables that are past due as at the reporting date.

No receivables have been written off as uncollectible during the year (2014: 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

	2015	2014
	£	£
Bank balances	**1,120,780**	1,065,538
Petty cash	**2,676**	3,094
	1,123,456	1,068,632

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

	2015	2014
	£	£
Amounts due to construction contract customers (note 20)	**972,899**	**124,725**
Trade payables	**567,881**	**1,132,713**
Taxes and social security costs	**849,560**	**395,856**
Accruals	**267,570**	**525,716**
	2,657,910	**2,179,010**

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**	
	2015	2014	**2015**	2014
	£	£	**£**	£
Amounts payable				
Within 1 year	**14,098**	12,173	**13,761**	15,347
Within 2 to 5 years inclusive	**8,603**	23,944	**8,424**	18,438
Less: future finance charges	**(516)**	(2,332)	**-**	-
	22,185	33,785	**22,185**	33,785

Carrying amount of assets subject to finance lease:		
Property, plant and equipment	**29,913**	40,000

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 £1,500,000 (2014: £1,000,000). Any overdraft arising from the facility is repayable on demand and carries interest at 2.00% (2014: 2.00%) 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

	2015	2014
	£	£
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.	**174,168**	223,440
Revenue that can be recognised after 1 year included in non-current liabilities.	**-**	5,239
	174,168	228,679

27 Deferred tax

	Accelerated tax depreciation	**Other temporary differences**	**Tax losses**	**Total**
	£	**£**	**£**	**£**
At 1 January 2014	(116,720)	28,344	-	(88,376)
Credit/(charge) to income	(256,952)	3,248	188,767	(64,937)
At 1 January 2015	(373,672)	31,592	188,767	(153,313)
Change in rate	37,367	(256)	-	37,111
Credit/(charge) to income	(51,239)	3,629	304,237	256,627
Exchange differences	-	(1,660)	-	(1,660)
At 31 December 2015	**(387,544)**	**33,305**	**493,004**	**138,765**

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

	2015	2014	2013
	£	**£**	**£**
Deferred tax assets	**530,622**	226,639	33,490
Deferred tax liabilities	**(391,857)**	(379,952)	(121,866)
	138,765	(153,313)	(88,376)

Deferred tax has been provided at 18% (2014: 20%), the corporation tax rate that will be effective from 1 April 2016.

At the reporting date the Group had unused tax losses of approximately £4,650,000 (2014: £3,000,000) 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

	2015	2014
	£	£
Authorised, 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**	1,400
700,000 C shares of 0.1p each	**700**	-
	1,402,100	1,401,400

The ordinary shares carry no right to fixed income. The shares have a right to receive notice of, or to attend or vote at, any general meeting. The shares are traded on AIM.

On 5 October 2015, the Company issued 700,000 C shares of 0.1p each. The consideration paid resulted in a share premium of £2,800. The rights and obligations attaching to the C 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 C 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 C 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 C shares to be redeemed by the Company, at the price at which the C shares were issued, at any time following Mr Walker ceasing for any reason whatsoever to be a director and full time employee of the Company or any of its subsidiaries.

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

The B shares have identical rights and obligations to the C shares.

29	**Treasury shares**	**Number**	**£**
	As at 1 January 2014	1,677,739	459,288
	Shares purchased in the market under authority for Company to purchase its own shares	-	-
	Shares sold to satisfy share options	(150,000)	(26,625)
	Loss on sale of shares	-	(14,438)
	As at 1 January 2015	1,527,739	418,225
	Shares sold to satisfy share options	-	-
	Loss on sale of shares	-	-
	As at 31 December 2015	**1,527,739**	**418,225**

30	**Note to consolidated statement of cash flows**	**2015**	2014
		£	£
	Cash generated from operations		
	(Loss) / Profit for the year	**(2,305,734)**	2,981,430
	Finance income	**(4,905)**	(2,684)
	Finance costs	**25,682**	10,569
	Income tax (credit)/expense	**(72,445)**	(814,612)
	Depreciation of property, plant and equipment	**305,940**	266,635
	Amortisation of other intangible assets	**313,580**	80,010
	Profit on disposal of property, plant and equipment	**-**	-
	Share-based payment	**76,857**	53,674
	Operating cash flows before movement in working capital	**(1,661,025)**	2,575,022
	Decrease in receivables	**1,639,691**	367,420
	(Increase) in inventories	**(854)**	(25,000)
	Increase / (decrease) in payables	**478,900**	(831,734)
	Decrease in deferred revenue	**(54,511)**	(97,437)
	Cash generated from operations	**402,201**	1,988,271
	Tax refund / (paid)	**720,768**	(282,836)
	Interest paid	**(25,682)**	(10,569)
	Net cash generated from operations	**1,097,287**	1,694,866

31 Operating lease arrangements

	2015	2014
	£	£
Lease payments under operating leases recognised as an expense in the year	**240,338**	236,581

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

	Land and buildings		**Other**	
	2015	2014	**2015**	2014
	£	£	**£**	£
Within one year	**106,001**	125,918	**56,576**	77,216
In the second to fifth years	**241,444**	328,046	**65,999**	73,058
In the sixth to tenth years	**32,750**	37,016	**-**	-
After ten years	**236,788**	235,238	**-**	-
	616,983	726,218	**122,575**	150,274

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:

	2015		2014	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
Outstanding at 1 January 2015	**1,070,000**	**59.21p**	700,000	30.42p
Granted during the year	**1,047,619**	**70.50p**	520,000	86.00p
Exercised during the year	**(40,000)**	**86.00p**	(150,000)	17.75p
Outstanding at 31 December 2015	**2,077,619**	**64.38p**	1,070,000	59.21p
Exercisable at 31 December 2015	**410,000**	**25.85p**	20,000	8.25p

32 Share-based payment (continued)

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of 8.36 years (2014: 8.31 years).

New options over 1,047,619 shares were granted on 18 March 2015 and 30 September 2015. The aggregate fair value of the options granted was £107,905.

The inputs to the Black Scholes model for the 2015 grant were as follows:

Share price at date of grant	70.50p
Exercise price	70.50p
Expected volatility (based on historic volatility)	54%
Risk free rate	1.84%
Expected dividend yield	5.00%
Option life	10 years
Vesting period	3 years

The Group recognised total expenses related to equity-settled share-based payment transactions of £76,857 (2014: £53,674).

Any share based payment in respect of B and C shares is not material.

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.

	2015	2014
	£	£
Contributions payable by the Group for the year	**281,148**	250,641

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*

	2015	2014
	£	£
Financial assets		
Available-for-sale financial assets	**3,700**	3,700
Loans and receivables		
Trade and other receivables	**3,470,453**	5,114,049
Cash and cash equivalents	**1,123,456**	1,068,632
	4,597,609	6,186,381
Financial liabilities		
Measured at amortised cost		
Trade and other payables	**2,657,910**	2,179,010

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 2015 and 31 December 2014 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**	
	2015	2014	**2015**	2014
	£	£	**£**	£
Canadian $	**181,128**	142,673	**826,539**	1,215,837
American $	**482**	98	**11,850**	109,674
Australian $	**168,041**	141,524	**231,337**	246,000
Total	**349,651**	284,295	**1,069,726**	1,571,511

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	
	2015	2014
	£	£
Canadian $	**32,271**	48,458
American $	**568**	3,412
Australian $	**3,165**	4,277

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 2015 and 31 December 2014 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 £1,123,456 (2014: £1,068,632) and undrawn facilities of £1,500,000 (2014: £1,000,000). The level of the Group's overdraft facility is reviewed annually.

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

Trade and other payables are all payable within three 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% (2014: 2.00%) over base rate. 1% rise/fall in interest rates would have decreased/ increased profit for the year by an immaterial amount (2014: immaterial).

35 Capital commitments

At 31 December 2015 and 31 December 2014 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 £179,000 (2014: £1,835,000), 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 5 October 2015, as part of an incentive arrangement, Mr P Walker purchased 700,000 C shares of £.001per share in the Company at a price of £0.005 per share. The rights and obligations attaching to the C shares are set out in note 28.

Dividends paid to Directors
Dividends totalling £353,671 (2014: £345,529) 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 2015 there were loans outstanding from Mr C Snook of £148,012.

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.

Sponsorship fees
On 6th March 1998 the Company entered into an agreement with JK Powell under which the Company pay sponsorship fees not exceeding £5,000 per annum in return for corporate promotion. The agreement is terminable by either party serving the other one months' notice in writing.

COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015	2014
		£	£
Continuing operations			
Management charges receivable		**1,779,591**	2,036,910
Dividends received from subsidiaries		**-**	-
Administrative expenses		**(1,493,136)**	(576,900)
Management charges payable		**-**	(1,143,000)
Operating profit		**286,455**	317,010
Finance costs	3	**(5,638)**	(1,026)
Finance income	4	**-**	138
Profit before tax		**280,817**	316,122
Tax credit	5	**(79,755)**	117,393
Total comprehensive income attributable to equity holders		**201,062**	433,515

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Share premium	Capital redemption reserve	Treasury shares	Retained earnings	Total equity
	£		£	£	£	£
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 1 January 2015	1,401,400	5,600	200,000	(418,225)	3,751,833	4,940,608
Total comprehensive income for the year	-	-	-	-	201,062	201,062
Issue of C shares	700	2,800	-	-	-	3,500
Recognition of share-based payment	-	-	-	-	76,857	76,857
Dividends paid	-	-	-	-	(794,168)	(794,168)
At 31 December 2015	**1,402,100**	**8,400**	**200,000**	**(418,225)**	**3,235,584**	**4,427,859**

PENNANT INTERNATIONAL GROUP PLC

COMPANY NUMBER: 3187528
COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

	Notes	2015 £	2014 £
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	**37,638**	117,393
Total non-current assets		**7,950,375**	8,030,130
Current assets			
Trade and other receivables		**22,054**	1,512
Amounts due from subsidiaries		**148,012**	148,012
Cash and cash equivalents	7	**-**	104,589
Total current assets		**170,066**	254,113
Total assets		**8,120,441**	8,284,243
Current liabilities			
Trade and other payables	8	**62,973**	146,758
Amounts due to subsidiaries		**3,392,563**	3,196,877
Bank overdraft		**237,046**	-
Total current liabilities		**3,692,582**	3,343,635
Net current liabilities		**(3,522,516)**	(3,089,522)
Total liabilities		**3,544,570**	3,195,623
Net assets		**4,427,859**	4,940,608
Equity			
Share capital	10	**1,402,100**	1,401,400
Share premium account		**8,400**	5,600
Capital redemption reserve		**200,000**	200,000
Treasury shares		**(418,225)**	(418,225)
Retained earnings		**3,235,584**	3,751,833
Total equity		**4,427,859**	4,940,608

Approved by the Board and authorised for issue on 4 March 2016

C Snook
Director

P H Walker
Director

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Net cash from operations	12	**449,033**	920,031
Investing activities			
Dividend received		**-**	138
Net cash from/(used) in investing activities		**-**	138
Financing activities			
Issue of C Shares		**3,500**	7,000
Dividends paid		**(794,168)**	(710,700)
Proceeds from sale of treasury shares		**-**	26,625
Net cash used in financing activities		**(790,668)**	(677,075)
Net (decrease)/increase in cash and cash equivalents		**(341,635)**	243,094
Cash and cash equivalents at beginning of year		**104,589**	(138,505)
Cash and cash equivalents at end of year		**(237,046)**	104,589

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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 profit

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

3 Finance costs	**2015**	2014
	£	£
Interest expense for bank overdraft	**5,638**	1,026

4 Finance income	**2015**	2014
	£	£
Dividend from available-for-sale financial asset	**-**	138
	-	138

5 Tax	**2015**	2014
	£	£
Deferred tax charge for the period	**79,755**	(10,721)
Deferred tax credit in respect of previous period	**-**	(106,672)
Tax charge/(credit) for the year	**79,755**	(117,393)

Reconciliation of effective tax rate		
Profit before tax	**280,817**	316,122
Tax at applicable rate 20.25% (2014: 21.5%)	**56,865**	67,945
Tax effect of:		
Expenses that are not deductible for tax	**19,650**	14,568
Share options exercised	**-**	(23,213)
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	**3,240**	(4,172)
Franked investment income	**-**	(30)
Group relief	**-**	787
Total tax charge/(credit)	**79,755**	(117,393)

6 Subsidiaries

Details of the Company's subsidiaries at 31 December 2015 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

	Tax losses	**Total**
	£	**£**
At 1 January 2014	-	-
Credit to income	117,393	117,393
At 31 December 2014	**117,393**	**117,393**
Charge to income	(79,755)	(79,755)
At 31 December 2015	**37,638**	**37,638**

12 Note to statement of cash flows

	2015 £	2014 £
Cash generated from operations		
Profit before tax	**280,817**	316,122
Tax charge	**-**	-
Finance costs	**5,638**	1,026
Finance income	**-**	(138)
Share-based payment	**76,857**	53,674
Operating cash flows before movement in working capital	**363,312**	370,684
(Increase)/decrease in receivables	**(20,542)**	293,806
Increase in payables	**111,901**	256,567
Cash generated from operations	**454,671**	921,057
Interest paid	**(5,638)**	(1,026)
Net cash generated from operations	**449,033**	920,031

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% (2014: 2.00%) over base rate. 1% rise/fall in interest rates would have decreased/ increased profit for the year by an immaterial amount (2014: immaterial). The Company is not exposed to foreign currency risks.

Categories of financial instruments

	2015 £	2014 £
Financial assets		
Available for sale financial assets	**3,700**	3,700
Loans and receivables		
Trade and other receivables	**22,054**	1,512
Amounts due from subsidiaries	**-**	-
Cash and cash equivalents	**-**	104,589
	25,754	109,801

	2015 £	2014 £
Financial liabilities		
Measured at amortised cost		
Trade and other payables	**62,973**	146,758
Amounts due to subsidiaries	**3,244,551**	3,048,865
Bank overdraft	**237,046**	-
	3,544,570	3,195,623

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 £436,475 (2014: £46,182).

15 Transaction with a Director

On 5 October 2015, as part of an incentive arrangement, Mr P Walker purchased 700,000 C shares of £.001per share in the Company at a price of £0.005 per share. The rights and obligations attaching to the C shares are set out in note 28 to the consolidated financial statements.

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 to the consolidated financial statements.

The Company has guaranteed the payment of rent under a lease agreement for office premises occupied by a subsidiary company. The lease runs for five 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.