

PENNANT INTERNATIONAL GROUP PLC
Interim results for the six months ended 30 June 2005

Pennant International Group plc (“Pennant” or “the Group”), the AIM listed provider of integrated logistic support solutions including training software systems and technical documentation and analysis for customers worldwide, announces interim results for the six months ended 30 June 2005.

In his Statement to shareholders, Chairman Christopher Powell said:

“Results for the first half are in line with expectations and the year to date has seen a satisfactory order intake.

“As a result of orders received and the rescheduling of previously delayed programmes, there will be an improvement in the second half which should see the Group achieving expectations for 2005 as a whole.”

Key points:

- Profit before tax of £53,000 (2004: £279,000)
- Earnings per share of 0.16p (2004: 0.87p)
- Dividend per share of 0.13p (2004: 0.13p)
- Gearing at period end of 21% (2004: 23%)
- High level of tendering, particularly in defence and rail sectors
- Multi-million pound contract awarded by BAE Systems to deliver a Computer Aided Learning System to a major customer
- Two major international rail contracts awarded from Kawasaki
- Joint Venture with Sonovision of France to provide technical data services to Airbus proving successful and profitable in first period of trading

Mr Powell added:

“Order intake has been encouraging, underpinning the second half of 2005 and into 2006. We are now working closely with both existing and new customers to secure work for the medium term. The Group’s cash position remains satisfactory and the balance sheet is strong. These factors give your Board confidence for the future.”

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PENNANT INTERNATIONAL GROUP PLC: 2005 INTERIM RESULTS

CHAIRMAN'S STATEMENT

Results for the first half are in line with expectations and the year to date has seen a satisfactory order intake including the recent selection of Pennant Training Systems Limited by BAE Systems for a multi million pound contract to deliver a Computer Aided Learning System to a major customer.

As the result of orders received and the rescheduling of previously delayed programmes, I am also pleased to report there will be an improvement in the second half which should see the Group achieving expectations for 2005 as a whole.

RESULTS AND DIVIDEND

Group profit on ordinary activities before taxation was £53,000 (June 2004: £279,000). This includes £17,000 being the Group's share of the profits of the joint venture with Sonovision set up in February 2005.

During the period there was a net cash outflow of £460,000 resulting from the financing of work in progress. However, this outflow is expected to be reversed in the second half and early in 2006. Net debt at 30 June 2005 was £769,000 (June 2004:£930,000) representing gearing of 21% (June 2004: 23%). Basic earnings per share were 0.16p (June 2004: 0.87p).

Your Board is declaring a maintained interim cash dividend of 0.13p per share (June 2004: 0.13p). The dividend will be paid on 18 November 2005 to shareholders on the register at the close of business on 21 October 2005. The shares are expected to go ex dividend on 19 October 2005.

STRATEGY

Our strategy of concentrating on the core strengths of each of the Group's businesses, finding new customers and working to capitalise on the good relationships with existing customers is beginning to prove successful. This success is manifested in positive ongoing discussions with potential new customers and a high level of tendering, particularly in the defence and rail sectors. These discussions and the tendering activity have been in respect of elements of work both for contracts already won by the prime contractors and also in support of their tenders for longer term major prospects.

CURRENT TRADING AND OPERATIONS

Pennant Training Systems has traded profitably during the period and has had a number of successes including:

- selection for a multi million pound contract to deliver a Computer Aided Learning System to a major customer;
- an extension, by one year with options for a further 2 one year extensions, of the MOD enabling contract that generates significant income from the support of the many Pennant Training devices in use throughout the UK;

- the acceptance of two electronic classrooms supplied on time and to budget, as part of the Hawk Lead in Fighter Trainer programme for the South African Air Force. Production of computer based training (CBT) and emulation software continues into the first half of 2006. A follow on contract is expected to bring the training material up to the final technical standard of the aircraft;
- a contract to provide additional courseware for the CBT system used by the Royal Australian Air Force for Hawk jet training;
- selection, teamed with Carley Corporation, by Northrup Grumman Corporation for a contract to provide CBT development support to the F-35 Joint Strike Fighter programme;
- the award of a contract to supply an Air Weapons Procedures Trainer to an overseas air force. The computer based system will emulate weapons loading procedures on a variety of current aircraft; and
- contracts to supply ten additional hand skill trainers to the Royal Air Force and to supply an upgrade to CBT for a Bridge Vehicle for the United States Army.

The directors believe that Pennant Training Systems products and services are highly regarded by end users and that its relationships with customers are excellent.

Technical Data Services has had major contract wins, principally in the rail sector. Pennant Information Services Ltd was selected by Kawasaki Heavy Industries Ltd to produce a full suite of maintenance manuals and training support in connection with the railcars for Taipei City and by Kawasaki Rail Cars Inc. to produce technical information manuals for the Boston Blue Line train system. It also received an order from Interfleet Technology Limited for training related to the Singapore Circle Line rail system.

Other contracts won include two e-learning packages for the Department of Work and Pensions, the production of Flight Reference Cards for McAlpine Helicopters and an extension to the training delivery contract from Powerfield Limited (a Rolls Royce company) in support of their Field Electrical Power Source equipment.

The business continues to be underpinned by sole source and enabling contracts with the MOD and a number of prime contractors

Joint Venture – Pennant Sonovision –ITEP Ltd

The joint venture's first period of trading, providing technical data services to Airbus, has been successful and profitable. Premises have been obtained in Filton, Bristol and the company is building its relationships with Airbus and UK suppliers to Airbus.

Software Services: Product sales have been made to new customers including: Qantas Defence Services, Australian Aerospace Ltd, Oerlikon Contraves AG, Rheinmetal Defence Electronics GmbH, Quorum Logistic Support Limited and Bath Iron Works (part of General Dynamic's naval operations).

In Canada, Pennant continues to provide consultancy and support services in respect of the use of OmegaPS products throughout the Department of National Defence (DND). In this regard a major support contract with DND has been extended to September 2006 with options for 4 further years.

In Australia, the new development of Pennant's OmegaPS, Publisher and Analyser software for the Australian Defence Organisation was accepted in March 2005. Since then further paid enhancements have been undertaken. The product will be rolled out to Australian

Defence Force establishments later in the year. Pennant has a support contract generating revenues through until 2009.

CONCLUSION

The Group's performance in the first half has been in line with expectations and the order intake has been satisfactory underpinning the second half of 2005 and into 2006. We are working closely with both existing and new customers to secure work for the medium term. The Group's cash position remains satisfactory and the balance sheet is strong. These factors give your Board confidence for the future.

Christopher Powell
Chairman

6 September 2005

Pennant International Group plc
CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 Dec 2004 £'000
Turnover				
Group and share of joint venture		5,298	6,368	11,551
Less: Share of joint venture	2	<u>(82)</u>	<u>0</u>	<u>0</u>
Group turnover		5,216	6,368	11,551
Cost of sales		(3,138)	(3,960)	(7,333)
Gross profit		<u>2,078</u>	<u>2,408</u>	<u>4,218</u>
Net operating expenses		(2,000)	(2,090)	(4,035)
Operating profit		<u>78</u>	<u>318</u>	<u>183</u>
Share of joint venture's operating profit	2	17	0	0
Profit on ordinary activities before interest		<u>95</u>	<u>318</u>	<u>183</u>
Interest		(42)	(39)	(80)
Profit on ordinary activities before taxation		<u>53</u>	<u>279</u>	<u>103</u>
Taxation	3	(3)	0	(2)
Profit attributable to ordinary shareholders		<u>50</u>	<u>279</u>	<u>101</u>
Ordinary dividends declared		(87)	(128)	(170)
Amount transferred to reserves		<u>(37)</u>	<u>151</u>	<u>(69)</u>
Earnings per share	4			
Basic		0.16p	0.87p	0.32p
Diluted		0.14p	0.81p	0.29p
Statement of Total Recognised Gains and Losses				
Profit for the period		50	279	101
Currency translation differences on foreign currency net investments		24	(9)	(56)
		<u>74</u>	<u>270</u>	<u>45</u>

Pennant International Group plc
SUMMARISED CONSOLIDATED BALANCE SHEET

	Note	As At 30 June 2005 £'000	As at 30 June 2005 £'000	As at 30 June 2004 £'000	As at 31 Dec 2004 £'000
Fixed assets					
Intangible assets			966	1,132	1,060
Tangible assets			2,598	2,745	2,671
Investment in joint venture	2				
Share of gross assets		86			
Share of gross liabilities		<u>(67)</u>			
			19	0	0
Investments			6	6	6
			<u>3,589</u>	<u>3,883</u>	<u>3,737</u>
Current assets					
Stocks			631	844	511
Debtors			2,457	2,671	1,720
Cash at bank and in hand			355	314	815
			<u>3,443</u>	<u>3,829</u>	<u>3,046</u>
Creditors: amounts falling due within one year			(2,320)	(2,601)	(2,003)
Net current assets			<u>1,123</u>	<u>1,228</u>	<u>1,043</u>
Total assets less current liabilities			4,712	5,111	4,780
Creditors:					
amounts falling due after more than one year			(995)	(1,114)	(1,050)
Provisions for liabilities and charges			0	0	0
			<u>3,717</u>	<u>3,997</u>	<u>3,730</u>
Called up share capital and share premium account			6,609	6,609	6,609
Reserves			(2,892)	(2,612)	(2,879)
Shareholders' funds			<u>3,717</u>	<u>3,997</u>	<u>3,730</u>

Pennant International Group plc
CONSOLIDATED GROUP CASH FLOW

	Notes	Six months ended 30 June 2005 £'000	Six months ended 30 June 2004 £'000	Year ended 31 Dec 2004 £'000
Cash flow from operating activities		(208)	(705)	(8)
Returns on investment and servicing of finance		(42)	(39)	(79)
Taxation		(38)	0	(19)
Capital expenditure		(31)	(198)	(222)
Investment in joint venture	2	(5)	0	0
Equity dividends		(87)	(128)	(170)
Cash Outflow before Financing		(411)	(1,070)	(498)
Financing				
Issue of ordinary share capital		0	0	0
Other financing		(49)	(582)	(652)
Decrease in net cash		(460)	(1,652)	(1,150)
Reconciliation of net cash flow to movement in net debt				
Decrease in net cash		(460)	(1,652)	(1,150)
Cash to repurchase debt		49	582	652
New loans and hire purchase contracts		0	0	0
Movement in net debt in period		(411)	(1,070)	(498)
Net debt at beginning of period		(358)	140	140
Net debt at end of period		(769)	(930)	(358)
Reconciliation of operating profit to cash flow from operating activities				
Operating profit		78	318	183
Depreciation		106	82	191
Amortisation of intangible assets		101	125	207
Profit on sale of fixed assets		(1)	0	(11)
(Increase)/decrease in work in progress and debtors		(857)	(796)	482
Increase/(decrease) in creditors		349	(442)	(1,011)
Other movements		16	8	(49)
Operating profit		(208)	(705)	(8)

Pennant International Group plc
Notes to Interim Statement

1. This interim statement, which is neither audited nor reviewed, has been prepared on the basis of the accounting policies set out in the Group's 2004 annual report and financial statements, revised to incorporate the provisions of FRS21. As a result the ordinary dividends noted in the consolidated profit and loss account are those declared in the respective periods. The balance sheet at 31 December 2004 and the results for the year then ended have been abridged from the Group's annual report and financial statements which has been filed with the Registrar of Companies: the auditors' opinion on the financial statements was unqualified.
2. On 14 February 2005 the Group invested £5000 to acquire 50% of the ordinary shares of Pennant Sonovision ITEP Limited a joint venture company. The investment has been accounted for using the gross equity basis. The consolidated profit and loss account includes the Group's share of the profits of the joint venture while the Group's share of the gross assets and gross liabilities is shown in the consolidated balance sheet.
3. The taxation charge relates to the Group's share of the profits of the joint venture. There is no charge in respect of the profits of the Group as no charge is expected for the full year.
4. The calculation of earnings per share is based on the profit attributable to the shareholders and the weighted average number of shares as set out below:

	Six months ended 30 June 2005 £	Six months ended 30 June 2004 £	Year ended 31 Dec 2004 £
Profit attributable to shareholders	<u>50,000</u>	<u>279,000</u>	<u>101,000</u>
	Number	Number	Number
Basic weighted average number of shares	32,000,000	32,000,000	32,000,000
Employee share options	2,844,500	2,385,500	2,564,500
Diluted weighted average number of shares	<u>34,844,500</u>	<u>34,385,500</u>	<u>34,564,500</u>
	p/share	p/share	p/share
Basic	0.16	0.87	0.32
Diluted	0.14	0.81	0.29

This announcement is being circulated to all shareholders of the Company and copies will be available to the public at the Company's Registered Office at Pennant Court, Staverton Technology Park, Cheltenham GL51 6TL