Pennant International Group plc
Interim results for the six months ended 30 June 2006
Profit before tax, EPS and Dividend up; Gearing down;

Pennant International Group plc ("Pennant" or the "Company"), the AIM listed supplier of technology solutions to the defence and industrial sectors, including simulation and training systems, technical data services and data management systems, announces Interim Results for the six months ended 30 June 2006.

In his Statement to shareholders, Chairman Christopher Powell said:
"Pennant is pleased to announce a substantial increase in profit before tax. All operating divisions were profitable, the order book is strong and there are good prospects for the medium term"

Highlights:

•	Group profit before tax up to £322,000 (2005: £25,000).
•	Earnings per share (basic) up 600% to 0.96p (2005: 0.16p)
•	Increased interim dividend of 0.20p per share (2005: 0.13p).
•	Strong cash generation with net debt down to £233,000; Gearing further reduced to 5% (2005: 21%) at period end.
•	Completion of sale of Southampton freehold site expected shortly, generating profit of £300,000
•	Consolidation of market position in naval defence sector; significant short to medium term prospects in the international rail market.

On current trading and prospects, Mr Powell added:

"The Board is pleased and encouraged with progress during the period and continues to position Pennant to take further advantage of the potential in its current markets including its recent entry into the naval sector. The balance sheet is strong and relationships with major customers are excellent, bringing good prospects of new and repeat business for the future.

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Pennant International Group Plc
Interim results for the period ended 30 June 2006

6 September 2006

CHAIRMAN'S STATEMENT

Pennant International Group plc ('Pennant') is pleased to announce a substantial increase in profit before tax compared with the corresponding period last year Turnover increased by 11% and net operating expenses fell 14%. All operating divisions were profitable, cash flow was positive, the order book is strong and there are good prospects for the medium term. The proposed interim dividend represents an increase of 53% over 2005.

RESULTS AND DIVIDEND

On group turnover of £5.78 million, profit on ordinary activities before taxation amounted to £322,000 (June 2005: £25,000).

Basic earnings per share rose to 0.96p (June 2005: 0.16p)

During the period cash generated from operations was £327,000 (June 2005: cash absorbed was £208,000). Net debt reduced to £223,000 (June 2005: £769,000) with gearing at the period-end standing at 5% (June 2005: 21%)

Your Board is declaring an increased interim cash dividend of 0.20p per share (June 2005: 0.13p). The dividend will be paid on 20 October 2006 to shareholders on the register at the close of business on 29 September 2006. The shares are expected to go ex dividend on 27 September 2006. This increased dividend reflects your Board's confidence in the future.

CURRENT TRADING AND PROSPECTS

Current trading in Pennant's traditional markets has been strong. In addition, Pennant has secured significant work in the naval sector where previously it had limited presence. The forward order book gives a firm foundation for 2007 and beyond.

The UK Defence Industrial Strategy has confirmed new "platform" opportunities for the near future in Pennant's existing and recently entered markets in air, land and sea. Pennant also has opportunities for work in significant overseas programmes where new "platforms" are being acquired in the defence and rail transportation markets.

Joint Venture Company (Pennant Sonovision –ITEP Ltd)

The financial performance of our Joint Venture Company, engaged in the provision of technical documentation and engineering services to Airbus UK Limited, was affected by delays to the Airbus A380 programme. Trading is expected to improve during the second half.

OTHER FINACIAL MATTERS

Sale of Southampton Property

As reported in my last statement to shareholders, in February 2006 Pennant exchanged conditional contracts for the sale of property in Southampton. The sale is conditional upon the purchaser being able to obtain planning permission within nine months of the date of exchange. The purchaser registered a planning application on 28 June 2006 and a decision from the planning authority is expected in the near future. If, as expected, the transaction is completed it will realise a profit of approximately £300,000 and a cash inflow of approximately £700,000.

Cancellation of Deferred Shares

The cancellation of the deferred shares in accordance with the special resolution passed at the AGM on 4 May 2006 has been confirmed by the High Court. It is expected that the conditions attaching to the confirmation will be satisfied in the second half and as a result the distributable reserves of the Company will be increased by £1,445,400 at the year end.

CONCLUSION

The Board is pleased and encouraged with progress during the period and continues to position Pennant to take further advantage of the potential in its current markets including its recent entry into the naval sector. The balance sheet is strong and relationships with major customers are excellent bringing further prospects of new and repeat business for the future.

C C Powell
Chairman
6 September 2006

Pennant International Group plc
CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	**Six months ended 30 June 2006 £'000**	Six months ended 30 June 2005 (Restated) £'000	Year ended 31 Dec 2005 (Restated) £'000
Turnover				
Group and share of joint venture		**5,867**	5,298	10,785
Less: Share of joint venture		**(85)**	(82)	(223)
Group turnover		**5,782**	5,216	10,562
Cost of sales		**(3,641)**	(3,138)	(6,165)
Gross profit		**2,141**	2,078	4,397
Net operating expenses		**(1,742)**	(2,028)	(3,900)
Group operating profit		**399**	50	497
Share of joint venture's operating profit		**(35)**	17	5
Profit on ordinary activities before interest		**364**	67	502
Interest – Group		**(38)**	(42)	(86)
- Joint Venture		**(4)**	-	(1)
Profit on ordinary activities before taxation		**322**	25	415
Taxation	3	**(18)**	(3)	(26)
Profit on ordinary activities after taxation for group and its share of Joint Venture attributable to members of the parent undertaking		**304**	22	389
Earnings per share	4			
Basic		**0.96p**	0.16p	1.22p
Diluted		**0.89p**	0.14p	1.12p
Group Statement of Total Recognised Gains and Losses				
Profit for the period		**304**	22	389
Currency translation differences on foreign currency net investments		**(19)**	24	35
Total recognized gains and losses relating to the period		**285**	46	424
Prior year adjustment		-	-	86
		285	46	510

Pennant International Group plc
SUMMARISED CONSOLIDATED BALANCE SHEET

	Note	**As at 30 June 2006**	As at 30 June 2005 (Restated)	As at 31 Dec 2005 (Restated)
		£'000	£'000	£'000
Fixed assets				
Intangible assets		**830**	966	857
Tangible assets		**2,566**	2,598	2,562
Investment in joint venture				
Share of gross assets			86	155
Share of gross liabilities			(67)	(148)
		-	19	7
Investments		**6**	6	6
		3,402	3,589	3,432
Current assets				
Stocks		**640**	631	751
Debtors		**2,406**	2,457	2,345
Cash at bank and in hand		**1,136**	770	940
		4,182	3,858	4,036
Creditors: amounts falling due within one year		**(2,517)**	(2,735)	(2,521)
Net current assets		**1,665**	1,123	1,515
Total assets less current liabilities		**5067**	4,712	4,947
Creditors: amounts falling due after more than one year		**(848)**	(995)	(920)
Interest in net liabilities of joint venture				
Share of gross assets		**145**		
Share of gross liabilities		**(177)**		
		(32)	-	-
Provisions for liabilities and charges – deferred tax		**(8)**	-	(16)
		4,179	3,717	4,011
Called up share capital		**1,600**	3,045	3,045
Share premium		**3,564**	3,564	3,564
Special reserve		**1,445**	-	-
Reserves		**(2,430)**	(2,892)	(2,598)
Shareholders' funds	5	**4,179**	3,717	4,011

Pennant International Group plc
CONSOLIDATED GROUP CASH FLOW

	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 Dec 2005 £'000
Cash inflow/(outflow) from operating activities	**327**	(208)	484
Returns on investment and servicing of finance	**(38)**	(42)	(86)
Taxation	**(26)**	(38)	(32)
Capital expenditure	**(99)**	(31)	(71)
Investment in joint venture	**-**	(5)	(5)
Equity dividends	**(98)**	(87)	(128)
Cash inflow/(outflow) before financing	**66**	(411)	162
Financing			
Repayment of loan and hire purchase	**(74)**	(49)	(129)
Transactions in Treasury Shares	**(27)**	-	(50)
Decrease in net cash	**(35)**	(460)	(17)

Reconciliation of net cash flow to movement in net debt

Decrease in net cash	**(35)**	(460)	(17)
Cash to repurchase debt	**74**	49	129
New loans and hire purchase contracts	**-**	-	(16)
Movement in net debt in period	**39**	(411)	96
Net debt at beginning of period	**(262)**	(358)	(358)
Net debt at end of period	**(223)**	(769)	(262)

Reconciliation of operating profit to cash flow from operating activities

Operating profit	**399**	50	497
Depreciation	**94**	106	202
Amortisation of intangible assets	**27**	101	203
Profit on sale of fixed assets	**-**	(1)	(3)
Increase in work in progress and debtors	**(30)**	(857)	(867)
Increase/(decrease) in creditors	**(153)**	349	385
Other movements	**(10)**	44	67
	327	(208)	484

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 2005 annual report with the exception of the policy in respect of share-based payments. The group will implement the requirements of FRS 20 in the 2006 Financial Statements, and this standard has accordingly been adopted in this Interim Statement with the comparative figures restated. This change in accounting policy has resulted in a pre-tax charge of £8000 for the six months ended 30 June 2006, £28000 for the six months ended 30 June 2005 and £36000 for the year ended 31 December 2005.

   Share-based payments accounting policy:

   In accordance with FRS 20 'Share – based payment', the Group reflects the economic cost of awarding shares and share options to employees by recording an expense in the profit and loss account equal to the fair value of the benefit awarded; fair value being estimated by an independent third party using a proprietary binomial probability model. The expense is recognised in the income statement over the vesting period of the award.

2. The balance sheet at 31 December 2005 and the results for the year then ended have been abridged from the financial statements in the Group's Annual Report subject only to re-statement for share-based payments explained in 1. above. They do not constitute full financial statements within the meaning of s240 of the Companies Act 1985. The Annual Report has been filed with the Registrar of Companies: the auditors' opinion on the financial statements was unqualified and did not contain a statement under s237(2) or s237(3) of the Companies Act 1985.

3. The taxation charge for the period is based on the estimated rate of tax that is likely to be effective for the full year to 31 December 2006.

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 2006	Six months ended 30 June 2005 (Restated)	Year ended 31 Dec 2005 (Restated)
	£	£	£
Profit attributable to shareholders	**304,000**	22,000	389,000
	Number	Number	Number
Basic weighted average number of shares	**31,557,786**	32,000,000	31,971,463
Employee share options	**2,757,500**	2,844,500	2,777,500
Diluted weighted average number of shares	**34,315,286**	34,844,500	34,748,963
	per share	per share	per share
Basic	**0.96**	0.07	1.22
Diluted	**0.89**	0.06	1.12

5. Movements in Shareholders' Funds in the period were as follows:

	Share capital £'000	**Share premium £'000**	**Profit and loss account £'000**	**Special reserve £'000**	**Total £'000**
At 1 January 2006 (Restated)	3,045	3,564	(2,598)	0	4,011
Profit for the period			304		304
Translation differences on foreign currency net investments			(19)		(19)
Transactions in Treasury Shares			(27)		(27)
Share-based payments			8		8
Dividends			(98)		(98)
Cancellation of Deferred Shares (see below)	(1,445)			1,445	0
At 30 June 2006	**1,600**	**3,564**	**(2,430)**	**1,445**	**4,179**

At the AGM of the Company on 4 May 2006 the shareholders agreed by special resolution to reduce the share capital of the Company by the cancellation of all the Deferred Shares of 15p each in the capital of the Company.

The special resolution was confirmed by the High Court of Justice Chancery Division on 14 June 2006 and registered with the Registrar of Companies on 22 June 2006. The High Court required that a sum equal to the amount of the reduction in share capital, £1,445,400, be transferred to a non-distributable Special Reserve. The Company is entitled to release the Special Reserve upon transferring to a blocked trust bank account a sum equal to the amount of the non-consenting creditors of the Company who were (a) creditors of the Company on 14 June 2006 and (b) creditors of the Company at the date of the release ('Relevant Creditors') Such trust bank account to be used solely for discharging the claims of the relevant creditors. The Directors expect to be able to treat the Special Reserve as a distributable reserve in the balance sheet at 31 December 2006 and all Relevant Creditors will be discharged by that date.

6. 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