



28th September 2015

Pennant International Group plc
Interim Results for the six months ended 30 June 2015

Challenging trading environment and delayed contract awards.

New £7million Landmark contract with major global aerospace and defence contractor.

Positive outlook with Interim dividend increased by 11%.

Pennant International Group plc (“Pennant” or “the Group”), the AIM quoted supplier of integrated logistic support solutions, products and services, principally to the defence, rail, aerospace and naval sectors and to Government Departments, announces Interim Results for the six months ended 30 June 2015.

Commenting on the Group’s performance, Chairman Christopher Powell said:

“Pennant experienced challenging markets in the six months to 30 June 2015. The anticipated second half weighting, highlighted last March is now likely to be significant. Contract awards have been delayed by the weakness of the oil price, election uncertainty in the UK and the complexities of public sector procurement. The outturn for the full year will depend on the timing of anticipated contracts with an aggregate tender value in excess of £15m, which are expected shortly. The exact timing of the awards will result in an outcome for the year as a whole which could either be in line or significantly below market expectations. Notwithstanding the outturn for 2015, prospects for 2016 remain very positive and underpin the Directors’ decision to increase the interim dividend payment.”

Highlights: Financial

- Group revenues for the period of £5.7 million (2014: £9.6 million);
- Loss before tax of £(0.75) million (2014: profit before tax £1.18 million);
- Loss for the period attributable to shareholders of £(0.75) million (2014: £0.91 million);
- Net cash at period end £(0.6) million (2014: £1.9 million);
- Cash used in operations of £(1.0) million (2014: cash generated from operations of £1.4 million);
- Basic EPS negative 2.86p (2014: positive 3.47p);
- Interim dividend declared of 1.0p per share (2014: 0.9p);

Highlights: Operational

- Award of a major new contract worth in excess of £7 million, with a potential total in excess of £9m, with an undisclosed customer for the development of Computer Based Training and electro-mechanical Maintenance Trainers. This is a landmark contract with a new customer;

- Successful manufacture and delivery of training aids to BAE Systems Australia Limited as part of a £16m contract;
- Ongoing successful implementation of a £1.7m upgrade programme with AgustaWestland to the Wildcat training devices;
- Successful renewal of multi-year contract extension with Australian Department of Defence, Defence Material Organisation to support OmegaPS;

On current trading and prospects, Mr. Powell added:

“The outturn for the full year will depend on the timing of anticipated contracts. Prospects for 2016 remain very positive, taking into the account the recent order valued at between £7m - £9m and further anticipated imminent contract awards with an aggregate tender value in excess of £15m. These underpin the forward visibility and earnings well into 2017.”

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Pennant International Group plc

Interim Report for the six months ended 30 June 2015

Chairman's Statement

Pennant experienced challenging markets in the six months to 30 June 2015. The anticipated second half weighting, highlighted last March is now likely to be significant. Contract awards have been delayed by the weakness of the oil price, election uncertainty in the UK and the complexities of public sector procurement. The outturn for the full year will depend on the timing of anticipated contracts with an aggregate tender value in excess of £15m, which are expected shortly. The exact timing of the awards will result in an outcome for the year as a whole which could either be in line or significantly below market expectations. Notwithstanding the outturn for 2015, prospects for 2016 remain very positive and underpin the Directors' decision to increase the interim dividend payment.

Results and dividend

Revenues for the period were £5.7 million (Interim 2014: £9.6 million) impacted by delays in the expected award of three new contracts.

Administration costs for the period were £2.3 million which is in line with the first half of 2014. Reorganisation costs of £126,650 (30 June 2014: £nil) were incurred during the period which will produce an annualised reduction in overheads in excess of £300,000.

The loss for the period after tax was £755,799 (Interim 2014: profit £914,277). Basic earnings per share fell to a negative 2.86p compared to a positive 3.47p in June 2014.

Cash used in operations was £1.0 million (Interim 2014: cash generated from operations £1.4 million). The cash balance at the end of the period was (£0.6 million) (Interim 2014: £ 1.9 million).

Your Board is declaring an interim dividend of 1.0p per share (Interim 2014: 0.9p) .The interim dividend will be paid on 11th December 2015 to shareholders on the register at close of business on 16th October 2015. The ex- dividend date is expected to be 15th October 2015.

Highlights

- Award of a major new contract with a global aerospace and defence contractor initially worth in excess of £7 million, with a potential aggregate value of over £9m, with an undisclosed customer for the development of Computer Based Training and electro-mechanical Maintenance Trainers. This is a landmark contract with a new customer.
- Successful manufacture and delivery of two Generic Flying Controls Trainers (Genfly) and two Integrated Avionics Maintenance Trainers (IAMT) to BAE Systems Australia Limited as part of a £16m contract.
- Continuing work with BAE Systems Australia supporting a suite of training devices in service which is renewable on an annual basis for a five year rolling period.

- Ongoing successful delivery of an £1.7m upgrade program with AgustaWestland to the Wildcat training devices.
- Successful renewal of multi-year contract extension with Australian Department of Defence, Defence Material Organisation to support OmegaPS
- Sales of new licences for the use of the Group's Integrated Logistic Support Software product, OmegaPS, to a number of customers' world-wide.

Outlook

The outturn for the full year will depend on the timing of anticipated contracts.

Prospects for 2016 remain very positive, taking into the account the recent order valued at between £7m - £9m and further anticipated imminent contract awards with an aggregate tender value in excess of £15m. These underpin the forward visibility and earnings well into 2017.

I would like to thank my colleagues and staff for their commitment and endeavours through a demanding period.

C C Powell
Chairman

Pennant International Group plc
Interim Report for the six months ended 30 June 2015

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
		Unaudited	Unaudited	Audited
		£	£	£
Revenue		5,775,036	9,574,431	17,798,023
Cost of sales		(4,172,834)	(6,076,492)	(10,841,174)
Gross profit		1,602,202	3,497,939	6,956,849
Administrative expenses		(2,352,558)	(2,315,806)	(4,782,146)
Operating (loss) / profit		(750,356)	1,182,133	2,174,703
Finance costs		(9,042)	(5,922)	(10,569)
Finance income		3,599	2,066	2,684
(Loss) / Profit before taxation		(755,799)	1,178,277	2,166,818
Taxation	2	-	(264,000)	814,612
(Loss) / Profit for the period		(755,799)	914,277	2,981,430
Earnings per share	3			
Basic		(2.86p)	3.47p	11.32p
Diluted		(2.72p)	3.41p	10.88p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2015

		Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
		Unaudited	Unaudited	Audited
		£	£	£
Profit attributable to equity holders of the parent		(755,799)	914,277	2,981,430
Other comprehensive income:				
<i>Items that will not be reclassified to profit and loss</i>				
Property revaluation gain		-	-	1,106,006
Deferred tax		-	-	(221,201)
<i>Items that will may be reclassified to profit and loss</i>				
Exchange differences on translation of foreign operations		(128,868)	(22,947)	(12,235)
Comprehensive income attributable to equity holders of the parent		(884,667)	891,330	3,854,000

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2015

	30 June 2015	30 June 2014	31 December 2014
	Unaudited	Unaudited	Audited
	£	£	£
Non-current assets			
Goodwill	927,923	952,315	941,457
Other intangible assets	716,005	127,289	850,486
Property plant and equipment	2,864,249	1,926,365	2,999,600
Available-for-sale investments	3,700	3,700	3,700
Deferred tax asset	224,692	34,186	226,639
Total non-current assets	4,736,569	3,043,855	5,021,882
Current assets			
Inventories	29,854	4,000	29,000
Trade and other receivables	5,701,345	5,251,638	5,383,126
Cash and cash equivalents	-	1,886,979	1,068,632
Current tax asset	12,393	-	743,056
Total current assets	5,743,592	7,142,617	7,223,814
Total assets	10,480,161	10,186,472	12,245,696
Current liabilities			
Trade and other payables	1,161,862	2,794,846	2,179,010
Bank overdraft	642,643	-	-
Current tax liabilities	-	302,467	6,931
Obligations under finance leases	4,076	6,548	15,347
Deferred revenue	241,285	282,418	223,440
Total current liabilities	2,049,866	3,386,279	2,424,728
Net current assets	3,693,726	3,756,338	4,799,086
Non current liabilities			
Obligations under finance leases	23,116	37,069	18,438
Deferred revenue	-	-	5,239
Deferred tax liabilities	379,952	126,854	379,952
Total non-current liabilities	403,068	163,923	403,629
Total liabilities	2,452,934	3,550,202	2,828,357
Net assets	8,027,227	6,636,270	9,417,339
Equity			
Share capital	1,401,400	1,401,400	1,401,400
Share premium	5,600	5,600	5,600
Capital redemption reserve	200,000	200,000	200,000
Treasury shares	(418,225)	(459,288)	(418,225)
Retained earnings	5,946,359	5,363,114	7,207,603
Translation reserve	7,288	125,444	136,156
Revaluation reserve	884,805	-	884,805
Total equity	8,027,227	6,636,270	9,417,339

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
		Unaudited	Unaudited	Audited
		£	£	£
Net cash (used in) / generated from operating activities	4	(1,045,225)	1,411,072	1,694,866
Investing activities				
Interest received		3,599	2,066	2,684
Proceeds of sale of property, plant and equipment		-	-	-
Purchase of intangible assets		(22,773)	(41,271)	(802,565)
Purchase of property plant and equipment		(2,273)	(144,388)	(251,100)
Net cash used in investing activities		(21,447)	(183,593)	(1,050,981)
Financing activities				
Proceeds from issue of 'B' shares		-	7,000	7,000
Dividends paid		(529,445)	(473,800)	(710,700)
Purchase of own shares for treasury		-	-	-
Proceeds of sale of treasury shares		-	-	26,625
Net (repayment of)/funds from obligations under finance leases		(6,593)	(783)	(10,615)
Net cash used in financing activities		(536,038)	(467,583)	(687,690)
Net (decrease)/ increase in cash and cash equivalents		(1,602,710)	759,896	(43,805)
Cash and cash equivalents at beginning of period		1,068,632	1,156,950	1,156,950
Effect of foreign exchange rates		(108,565)	(29,867)	(44,513)
Cash and cash equivalents at end of period		(642,643)	1,886,979	1,068,632

PENNANT INTERNATIONAL GROUP plc

STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2015

	Share capital	Share premium	Capital redemption reserve	Treasury shares	Retained earnings	Translation reserve	Revaluation reserve	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
Issue of B shares	1,400	5,600	-	-	-	-	-	7,000
Recognition of share based payment	-	-	-	-	53,674	-	-	53,674
Sale of treasury shares to satisfy share options	-	-	-	26,625	-	-	-	26,625
Loss on sale of treasury shares transferred to retained earnings	-	-	-	14,438	(14,438)	-	-	-
Dividends paid	-	-	-	-	(710,700)	-	-	(710,700)
At 31 December 2014	1,401,400	5,600	200,000	(418,225)	7,207,603	136,156	884,805	9,417,339
Loss for period	-	-	-	-	(755,799)	-	-	(755,799)
Other comprehensive income	-	-	-	-	-	(128,868)	-	(128,868)
Recognition of share based payment	-	-	-	-	24,000	-	-	24,000
Dividends paid	-	-	-	-	(529,445)	-	-	(529,445)
At 30 June 2015	1,401,400	5,600	200,000	(418,225)	5,946,359	7,288	884,405	8,027,227

PENNANT INTERNATIONAL GROUP plc
NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2015

1. Basis of preparation

This condensed set of financial statements has been prepared using accounting policies expected to be adopted for the year ending 31 December 2015. These are anticipated to be consistent with those applied in the Group's latest annual audited financial statements for the year ended 31 December 2014. These accounting policies are drawn up in accordance with International Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the EU.

The comparative figures for the year ended 31 December 2014 set out in this Interim Report are not statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498 (2) or s498(3) of the Companies Act 2006.

AIM-listed companies are not required to comply with IAS34 'Interim Financial Reporting' and the company has taken advantage of this exemption.

2. Taxation

The taxation charge for the period is based on the estimated rate of tax that is likely to be effective for the full year to 31 December 2015.

3. Earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to the shareholders by the weighted average number of shares in issue. The calculation of diluted earnings per share takes into account the potentially diluting effect of share options.

	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
	£	£	£
Earnings			
Net profit attributable to equity shareholders	(755,799)	914,277	2,981,430
Number of shares	Number	Number	Number
Weighted average number of ordinary shares	26,472,261	26,322,261	26,347,261
Diluting effect of share options	1,348,810	488,956	1,065,000
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	27,821,071	26,811,217	27,412,261

4. Cash generated from operations

	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
	£	£	£
Profit for the period	(755,799)	914,277	2,981,430
Finance income	(3,599)	(2,066)	(2,684)
Finance costs	9,042	5,922	10,569
Income tax expense / (credit)	-	264,000	(814,612)
Depreciation of property, plant and equipment	132,883	129,131	266,635
Amortisation of other intangible assets	156,860	41,881	80,010
Profit on disposal of property, plant and equipment	-	-	-
Share-based payment	24,000	25,000	53,674
Operating cash flows before movement in working capital	(436,613)	1,378,145	2,575,022
Decrease/(increase) in receivables	(318,219)	498,908	367,420
Decrease in inventories	(854)	-	(25,000)
(Decrease)/increase in payables	(1,017,148)	(215,898)	(831,734)
Decrease in deferred revenue	12,606	(43,698)	(97,437)
Cash generated from/(used in) operations	(1,760,228)	1,617,457	1,988,271
Tax refund / (paid)	724,045	(200,463)	(282,836)
Interest paid	(9,042)	(5,922)	(10,569)
Net cash generated from/(used in) operations	(1,045,225)	1,411,072	1,694,866

5. Copies of this statement

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