

COMPANY NUMBER: 03782911

PENNANT INFORMATION SERVICES LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2006



PENNANT INFORMATION SERVICES LIMITED

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PENNANT INFORMATION SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS

C C Powell
J M Waller
C Snook

SECRETARY

J M Waller

COMPANY NUMBER

03782911

REGISTERED OFFICE

Pennant Court
Staverton Technology Park
Cheltenham
Gloucestershire
GL51 6TL

AUDITORS

Mazars LLP
24 Bevis Marks
London
EC3A 7NR

BANKERS

Barclays Bank Plc
Park House
Newbrick Road
Stoke Gifford
Bristol
BS34 8TN

PENNANT INFORMATION SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December 2006

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company is the provision of Technical Data Services to the Defence, Government, Rail, Telecommunications and other sectors. The directors consider the results for the year to be satisfactory and have confidence for the future.

RESULTS AND DIVIDENDS

The results for the year are set out on page 5

TREASURY OPERATIONS AND FINANCIAL INSTRUMENTS

The company is part of a centralised treasury function operated on by the Pennant International Group (the Group) which is responsible for managing liquidity, interest and foreign currency risks associated with the Group's activities.

The Group's principal instruments are bank overdrafts and loans, the main purpose of which is to raise finance for the company'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.

LIQUIDITY RISK

The Group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its businesses.

INTEREST RATE RISK

The Group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans.

FOREIGN CURRENCY RISK

The Group's principal foreign currency exposures arise from trading operations in overseas markets. Group policy permits but does not demand that these exposures be hedged in order to fix that cost in sterling.

CREDIT RISK

All major customers who wish to trade on credit terms are subject to credit verification procedures. Receivables balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

PENNANT INFORMATION SERVICES LIMITED

REPORT OF THE DIRECTORS (continued)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

As far as the directors are aware, they have taken all necessary steps to make the auditors aware of any relevant audit information and to establish that they are aware of that information

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware

DIRECTORS

The directors set out below have held office during the whole of the period from 1 January 2006 to the date of this report unless otherwise stated

C C Powell
J M Waller
C Snook

No director had an interest in the shares of the company or in the shares of the other subsidiary companies within the group. Their interests in the shares of the parent company are disclosed in the accounts of that company

RESPONSIBILITIES OF THE DIRECTORS

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to

- * select suitable accounting policies and then apply them consistently,
- * make judgements and estimates that are reasonable and prudent,
- * comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements,
- * 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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

AUDITORS

Mazars LLP were appointed auditors during the year and a resolution to reappoint Mazars LLP as auditors to the Company will be proposed at the forthcoming Annual General Meeting

Approved by the Board on 3 April 2007
and signed on its behalf



J M Waller
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PENNANT INFORMATION SERVICES LIMITED

We have audited the financial statements of Pennant Information Services Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

MAZARS LLP

MAZARS LLP
CHARTERED ACCOUNTANTS
and Registered Auditors
24 Bevis Marks
London
EC3A 7NR
3 April 2007

PENNANT INFORMATION SERVICES LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	2006 £	2005 £
TURNOVER	2	3,728,953	3,275,888
Cost of sales		(2,520,188)	(2,202,628)
GROSS PROFIT		1,208,765	1,073,260
Administrative expenses		(1,069,756)	(1,141,406)
Other operating income		-	55,352
OPERATING PROFIT/(LOSS)	3	139,009	(12,794)
Interest payable and similar charges	4	(1,356)	(2,644)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		137,653	(15,438)
Tax on loss on ordinary activities	5	(4,328)	(1,061)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u>133,325</u>	<u>(16,499)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

PENNANT INFORMATION SERVICES LIMITED

BALANCE SHEET AT 31 DECEMBER 2006

	Notes	£	2006 £	£	2005 £
FIXED ASSETS					
Intangible assets	6		237,076		254,857
Tangible assets	7		62,214		39,325
			<u>299,290</u>		<u>294,182</u>
CURRENT ASSETS					
Stocks	8	347,748		409,751	
Debtors	9	691,234		756,655	
Cash at bank and in hand		319,480		2,038	
		<u>1,358,462</u>		<u>1,168,444</u>	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(992,258)		(930,457)	
NET CURRENT ASSETS			<u>366,204</u>		<u>237,987</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			665,494		532,169
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11		(125,000)		(125,000)
			<u>540,494</u>		<u>407,169</u>
CAPITAL AND RESERVES					
Called up share capital	14		750,000		750,000
Profit and loss account	15		(209,506)		(342,831)
SHAREHOLDERS' FUNDS - EQUITY INTERESTS	16		<u>540,494</u>		<u>407,169</u>

Approved by the Board on 3 April 2007
and signed on its behalf



C Snook
Director



J M Waller
Director

PENNANT INFORMATION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention

The company has not presented a cashflow statement. It is a wholly owned subsidiary and a group cashflow statement is included in the accounts of the parent undertaking

Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards

Turnover

Turnover represents amounts receivable for goods and services net of VAT

Goodwill

Purchased goodwill is capitalised at its fair value and amortised over its estimated useful economic life which is currently considered to be 20 years

The estimated useful life is reviewed annually and amended if necessary

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Computers	33 ¹ / ₃ % per annum of cost
Fixtures, fittings & equipment	25% or 10% per annum of cost
Motor vehicles	25% per annum of cost

The estimated useful lives of assets are reviewed annually and amended if necessary

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

Stock and work in progress

Work in progress is valued at the lower of cost and net realisable value. Cost is represented by raw materials and direct labour together with a relevant proportion of fixed and variable overheads. Net realisable value is estimated selling price less costs to completion

Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS17

Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account

PENNANT INFORMATION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

2 TURNOVER

	2006 £	2005 £
Geographical market		
United Kingdom	3,131,303	2,911,271
Europe	279,562	72,024
USA	-	48,032
Middle East	-	-
Asia	318,088	216,862
Africa	-	27,699
	<u>3,728,953</u>	<u>3,275,888</u>

3 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging

Amortisation of intangible assets	17,781	17,781
Depreciation of tangible assets	24,236	30,617
Loss on foreign exchange transactions	1,979	703
Operating lease rentals - property	93,059	77,760
- plant and machinery	18,817	18,800
Auditors' remuneration	8,375	9,350
and after crediting		
Profit on disposal of tangible assets	-	(2,166)
Profit on release of intercompany debt	-	(55,352)
	<u>-</u>	<u>(57,518)</u>

4 INTEREST PAYABLE

On bank loans and overdrafts	<u>1,356</u>	<u>2,644</u>
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PENNANT INFORMATION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006 £	2005 £
5 TAXATION		
Deferred tax		
Deferred tax charge/credit current year	<u>4,328</u>	<u>1,061</u>
Factors affecting the tax charge for the year		
Profit/ (Loss) on ordinary activities before taxation	<u>137,653</u>	<u>(15,438)</u>
Profit/(Loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2005 30%)	<u>(41,295)</u>	<u>(4,631)</u>
Effects of		
Non deductible transactions	2,288	2,920
Depreciation	7,271	9,185
Capital allowances	(11,814)	(9,839)
Tax losses	(44,590)	-
Other tax adjustments	<u>5,550</u>	<u>2,365</u>
	<u>(41,295)</u>	<u>4,631</u>
Current tax charge	<u>-</u>	<u>-</u>
The company has estimated losses of 68,000 (2005 £180,000) available for carry forward against future trading profits		
6 INTANGIBLE FIXED ASSETS		
COST		
At 1 January 2006 and at 31 December 2006		<u>355,615</u>
AMORTISATION		
At 1 January 2006		100,758
Charge for the year		<u>17,781</u>
At 31 December 2006		<u>118,539</u>
NET BOOK VALUE		
At 31 December 2006		<u>237,076</u>
At 31 December 2005		<u>254,857</u>

PENNANT INFORMATION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Computer equipment £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
7 TANGIBLE FIXED ASSETS				
COST				
At 1 January 2006	217,763	100,967	-	318,730
Additions	43,875	3,250	-	47,125
Disposals	(82,969)	(57,291)	-	(140,260)
	<u>178,669</u>	<u>46,926</u>	<u>-</u>	<u>225,595</u>
At 31 December 2006	<u>178,669</u>	<u>46,926</u>	<u>-</u>	<u>225,595</u>
AMORTISATION				
At 1 January 2006	195,834	83,571	-	279,405
On disposals	(82,969)	(57,291)	-	(140,260)
Charge for year	16,973	7,263	-	24,236
	<u>129,838</u>	<u>33,543</u>	<u>-</u>	<u>163,381</u>
At 31 December 2006	<u>129,838</u>	<u>33,543</u>	<u>-</u>	<u>163,381</u>
NET BOOK VALUE				
At 31 December 2006	<u>48,831</u>	<u>13,383</u>	<u>-</u>	<u>62,214</u>
At 31 December 2005	<u>21,929</u>	<u>17,396</u>	<u>-</u>	<u>39,325</u>
			2006 £	2005 £
8 WORK IN PROGRESS				
Work in progress			<u>347,748</u>	<u>409,751</u>
9 DEBTORS				
Trade debtors			485,705	553,253
Amounts owed by parent and fellow subsidiary undertakings			90,811	82,591
Other debtors			-	23,214
Prepayments and accrued income			103,538	82,089
Deferred tax asset (see note 12)			<u>11,180</u>	<u>15,508</u>
			<u>691,234</u>	<u>756,655</u>

PENNANT INFORMATION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006 £	2005 £
10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans and overdrafts	-	36,482
Trade creditors	208,899	155,190
Amounts owed to parent and fellow subsidiary undertakings	480,446	438,936
Taxes and social security costs	132,970	80,253
Other creditors	93,709	168,155
Accruals and deferred income	76,234	51,441
	<u>992,258</u>	<u>930,457</u>
11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Amounts due to parent and fellow subsidiary undertakings	<u>125,000</u>	<u>125,000</u>
12 PROVISIONS FOR LIABILITIES AND CHARGES		
The deferred tax liability is made up as follows	£	
Balance at 1 January 2006	(15,508)	
Profit and loss account	<u>4,328</u>	
Balance at 31 December 2006	<u>(11,180)</u>	
	2006 £	2005 £
Decelerated capital allowances	(8,295)	(12,839)
Other timing differences	<u>(2,885)</u>	<u>(2,669)</u>
	<u>(11,180)</u>	<u>(15,508)</u>

PENNANT INFORMATION SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

13 PENSION COSTS

Defined contribution

The company contributes to a defined contribution pension scheme operated by the parent undertaking. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2006 £	2005 £
Contributions payable by the company for the year	48,437	50,366
Contributions payable to the fund at the year end and included in creditors	<u>9,614</u>	<u>8,897</u>

14 SHARE CAPITAL

	2006 £	2005 £
Authorised 1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid 750,000 Ordinary shares of £1 each	<u>750,000</u>	<u>750,000</u>

15 STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

	Profit & loss account £
Balance at 1 January 2006	(342,831)
Retained loss for the year	<u>133,325</u>
Balance at 31 December 2006	<u>(209,506)</u>

PENNANT INFORMATION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £	2005 £
16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Profit/(Loss) for the financial year	133,325	(16,499)
Opening shareholders' funds	407,169	423,668
	<u> </u>	<u> </u>
Closing shareholders' funds	<u>540,494</u>	<u>407,169</u>

17 FINANCIAL COMMITMENTS

At 31 December 2006 the company was committed to making the following annual payments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2006	2005	2006	2005
	£	£	£	£
Expiry date				
Within one year	7,500	12,000	3,282	-
Between one and five years	35,000	-	18,642	16,848
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>42,500</u>	<u>12,000</u>	<u>21,924</u>	<u>16,848</u>

The company has guaranteed borrowings amounting to £1,188,429 (2005 £420,292) due to Barclays Bank plc by other members of the group

	2006 £	2005 £
18 DIRECTORS' EMOLUMENTS		
Emoluments for qualifying services	<u> </u>	<u>16,000</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 0 (2005 - 0)

PENNANT INFORMATION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

19 EMPLOYEES

Number of employees

The average monthly number of employees (including directors) during the year was

	2006 Number	2005 Number
Office and management	3	6
Production	50	53
Selling and distribution	3	4
	<hr/>	<hr/>
	56	63
	<hr/>	<hr/>
Employment costs	£	£
Wages and salaries	1,425,460	1,557,365
Social security costs	138,860	148,653
Other pension costs	48,437	50,366
	<hr/>	<hr/>
	1,612,757	1,756,384
	<hr/>	<hr/>

20 CONTROL

The company is controlled by Pennant International Group plc, its parent undertaking, which is registered in England

21 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions provided by Financial Reporting Standard number 8 not to disclose transactions with other members of the group on the grounds that the parent undertaking prepares consolidation accounts which are publicly available

Copies of the consolidated accounts can be obtained from Pennant Court, Staverton Technology Park, Cheltenham, Gloucestershire GL5 6TL