COMPANY NUMBER: 03782911

PENNANT INFORMATION SERVICES LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2011

PENNANT INFORMATION SERVICES LIMITED

CONTENTS

PENNANT INFORMATION SERVICES LIMITED

COMPANY INFORMATION

Directors	C C Powell J M Waller C Snook
Secretary	J M Waller
Registered office	Pennant Court Staverton Technology Park Cheltenham Gloucestershire GL51 6TL
Auditors	Mazars LLP Beaufort Buildings Bristol BS8 4AN
Bankers	Barclays Bank Plc Park House Newbrick Road Stoke Gifford Bristol BS34 8TN

PENNANT INFORMATION SERVICES LIMITED

REPORT OF THE DIRECTORS COMPANY NUMBER: 03782911

The directors present their report and the financial statements for the year ended 31 December 2011

Principal activities and review of the business

The principal activity of the Company during the year was the provision of technical data services to the defence, government, rail, telecommunications and other sectors

Results and dividends

The results for the year are set out on page 6

The Company has continued to work on a number of ongoing projects but had a slow start to the year. Following the recent development of expertise in Virtual Reality the Company has won contracts that have improved profitability in the second half
The pipeline of opportunities is encouraging and the directors are confident for the future.

Treasury operations and financial instruments

The Company is part of a centralised treasury function operated 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 financial 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

Directors

The directors set out below have held office during the whole of the period from 1 January 2011 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

Research and development

The Company continually invests in activities in order to develop systems and products that will enhance the Company's ability to meet the exacting of their customers

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 International Financial Reporting Standards as adopted by the European Union 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 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

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.

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

Auditors

The directors intend to reappoint Mazars LLP as auditors for the year ending 31 December 2012.

Approved by the Board on 23 March 2012
and signed on its behalf

J M Waller
Secretary

PENNANT INFORMATION SERVICES LIMITED

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

We have audited the financial statements of Pennant Information Services Limited for the year ended 31 December 2011 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 Chapter3 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 APB's web-site at www.frc.org uk/apb/scope/private cfm

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Michael Stewart

Michael Stewart (Senior statutory auditor)
for and on behalf of Mazars LLP, Chartered Accountants (Statutory auditor)
Beaufort Buildings
Bristol
BS8 4AN
23 March 2012

PENNANT INFORMATION SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Revenue	3	2,112,351	2,584,376
Cost of sales		(1,457,978)	(1,574,394)
Gross profit		654,373	1,009,982
Administrative expenses		(589,648)	(754,159)
Operating profit/(loss)		64,725	255,823
Finance costs	7	(103)	-
Profit before taxation		64,622	255,823
Taxation	8	(19,812)	48,381
Total comprehensive income for the year	5	44,810	304,204

The income statement has been prepared on the basis that all operations are continuing operations

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share Capital £	Retained Profit £	Total £
At 1 January 2010	750,000	(587,583)	162,417
Total comprehensive income for the year	-	304,204	304,204
At 1 January 2011	750,000	(283,379)	466,621
Total comprehensive income for the year	-	44,810	44,810
At 31 December 2011	750,000	(238,569)	511,431

PENNANT INFORMATION SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2011

	Notes	2011 £	2010 £
Non-current assets			
Goodwill	9	254,857	254,857
Intangible assets	10	24,000	12,253
Property, plant and equipment	11	80,660	78,783
Deferred tax assets	17	44,383	58,044
Total non-current assets		403,900	403,937
Current assets			
Trade and other receivables	13	481,135	370,025
Cash and cash equivalents	14	1,227	264,743
Total current assets		482,362	634,768
Total assets		886,262	1,038,705
Current liabilities			
Trade and other payables	15	277,787	572,084
Current tax payable		-	-
Bank overdraft	16	90,893	-
Total current liabilities		368,680	572,084
Net current assets/(liabilities)		113,682	62,684
Non-current liabilities			
Deferred tax liabilities	17	6,151	-
Total non-current liabilities		6,151	-
Total liabilities		374,831	572,084
Net assets		511,431	466,621
Equity			
Share capital	18	750,000	750,000
Retained deficit	19	(238,569)	(283,379)
Total equity		511,431	466,621

Approved by the Board and authorised for issue on 23 March 2012

C Snook
Director

J M Waller
Director

PENNANT INFORMATION SERVICES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2010 £	2010 £
Net cash (used in)/from operations	20	(322,729)	38,928
Investing activities			
Purchase of other intangible assets		(12,000)	(12,000)
Purchase of property, plant and equipment		(19,680)	(42,727)
Net cash used in investing activities		(31,680)	(54,727)
Financing activities			
Movement in bank overdraft		90,893	-
Net cash used in financing activities		90,893	-
Net decrease in cash and cash equivalents		(263,516)	(15,799)
Cash and cash equivalents at beginning of year		264,743	280,542
Cash and cash equivalents at end of year		1,227	264,743

1. General information

Pennant Information Services Limited is a company incorporated in the United Kingdom under the Companies Act The address of the registered office is·

Pennant Court
Staverton Technology Park
Cheltenham
GL51 6TL

The principal activity of the Company during the year was the provision of technical data services to the defence, government, rail, telecommunications and other sectors

The Company's parent company is Pennant International Group plc which has the same registered office as the Company

2. Accounting policies

Basis of preparation
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. The principal accounting policies set out below have been consistently applied to all periods presented

Going concern
The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus they have continued to adopt the going concern basis of accounting in preparing the financial statements

Adoption of new and revised standards

The following standards, amendments to standards and interpretations have been adopted by the EU and are mandatory for the first time for the financial year beginning 1 January 2011 and have been adopted in the current year Their adoption has not had any impact on the information presented in these financial statements·

IAS 24 (2009) *Related Party Disclosure*	Provides a new, clearer definition of a related party
Amendment to IAS 32 *Classification of Rights Issues*	Relates to the classification of rights issues of certain instruments
Improvements to IFRSs (2010) *Business Combinations*	Relates to the method of valuing non-controlling interests
Improvements to IFRSs (2010) IFRS 1	Relates to first time adoption of IFRS

2 Accounting policies (continued)
Adoption of new and revised standards (continued)

Improvements to IFRSs (2010) IFRS 7 *Financial Instruments Disclosures*	Requirement for qualitative disclosure as well as quantitative disclosure to better enable evaluation of risk arising from financial instruments
Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*	Enables recognition of an asset in the form of prepaid minimum funding contributions
IFRIC 19 *Extinguishing Financial Liabilities with equity instruments*	Provides guidance on the accounting for 'debt to equity swaps' from the perspective of the borrower

There are a number of standards or amendments in issue that have not yet been endorsed by the European Union and therefore have not been adopted by the Group When endorsed, these may have an impact on the accounting for future transactions and events

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
Revenue from construction contracts is recognised in accordance with the Company's accounting policy on constructions 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 balance sheet 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.

2. 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 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
In preparing the financial statements, transactions in currencies other than the entity'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

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 monetary items, any exchange component of the gain or loss is also recognised directly in equity.

Goodwill
Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses Goodwill recognised as an asset is reviewed for impairment at least annually Any impairment is recognised immediately in profit or loss and is not subsequently reversed

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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

2. Accounting policies (continued)
Taxation (continued)

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

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 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 with in 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 Company intends to settle its current tax assets and liabilities on a net basis

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.
Plant and equipment	10% to 25% of cost per annum
Computers	33.33% of cost per annum
Motor vehicles	25% of cost per annum

Internally-generated intangible assets
An internally-generated intangible asset arising from the Company's software development 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.

2. Accounting policies (continued)

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 the straight line basis over their estimated useful lives using the following rate

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 Company 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 Company 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 Company and short term bank deposits with an original maturity date of three months or less

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 Company are recorded at the proceeds received net of direct issue costs

	2011	2010
	£	£

3. Revenue

An analysis of the Company's revenue is as follows .

	2011 £	2010 £
Revenue from construction contracts	2,112,351	2,584,376

4. Staff costs

	2011 £	2010 £
Wages and salaries	1,011,107	970,600
Social security costs	108,860	102,298
Pension costs	33,680	33,399
	1,153,647	1,106,297

The average number of persons, including executive directors, employed by the Company during the year was·

	Number	Number
Office and management	3	3
Production	21	22
Selling	1	1
	25	26

5. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	£	£
Net foreign exchange losses/(gains)	14,120	(1,461)
Amortisation of intangible assets	253	1,167
Depreciation of property, plant and equipment	17,803	18,136
Staff costs (note 4)	1,153,647	1,106,297

6. Auditors' remuneration

Fees payable to the Company's auditors for the audit of the Company's annual accounts were £10,000 (2010 £10,000)

Fees payable to the Company's auditors for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees

7. Finance costs

	2011 £	2010 £
Interest on financial liabilities	103	-

8. Taxation

Recognised in the income statement

	2011 £	2010 £
Current tax expense	-	-
Deferred tax expense/(credit) relating to origination and reversal of temporary differences	19,812	(48,381)
Total tax expense/(credit) in income statement	19,812	(48,381)

Reconciliation of effective tax rate

	2011 £	2010 £
Profit before tax	64,622	255,823
Tax at the applicable tax rate of 26.49% (2010 28%)	17,118	71,630
Tax effect of expenses not deductible for tax	3,453	3,565
Tax effect of recognition of losses for the first time	(4,214)	(55,912)
Tax effect of losses utilised not previously recognised	-	(69,801)
Effect of change of deferred tax rate	3,455	2,137
Total tax charge/(credit)	19,812	(48,381)

The Company has estimated tax losses of £174,000 (2010. £198,000) available for carry forward against future trading profits

9. Goodwill

The carrying amount of goodwill at 31 December 2011 and 31 December 2010 is £254,857. The Company tests goodwill annually for impairment

PENNANT INFORMATION SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

10. Intangible assets

	Software £
Cost	
At 1 January 2010	48,693
Additions	12,000
At 1 January 2011	60,693
Additions	12,000
Disposals	(26,953)
At 31 December 2011	45,740
Amortisation	
At 1 January 2010	47,273
Charge for year	1,167
At 1 January 2011	48,440
Charge for year	253
Eliminated on disposal	(26,953)
At 31 December 2011	21,740
Carrying amount	
At 31 December 2011	24,000
At 31 December 2010	12,253

11. Property, plant and equipment

	Fixtures, fittings, equipment & computers £
Cost or valuation	
At 1 January 2010	280,859
Additions	42,727
At 1 January 2011	323,586
Additions	19,680
Disposals	(154,768)
At 31 December 2011	188,498
Depreciation	
At 1 January 2010	226,667
Charge for the year	18,136
At 1 January 2011	244,803
Charge for the year	17,803
Eliminated on disposal	(154,768)
At 31 December 2011	107,838
Carrying amount	
At 31 December 2011	80,660
At 31 December 2010	78,783

	2011 £	2010 £
12. Construction contracts		
Contracts in progress at the balance sheet date		
Amounts due from contract customers included in trade and other receivables	195,303	119,159
Amounts due to contract customers included in trade and other payables	(47,291)	(34,899)
	148,012	84,260
Contract costs incurred plus recognised profits less recognised losses to date	2,469,410	1,983,643
Less progress billings	(2,321,398)	(1,899,383)
	148,012	84,260

13. Trade and other receivables

	2011 £	2010 £
Trade receivables	239,177	197,980
Amounts due from construction contract customers (note 12)	195,303	119,159
Prepayments and accrued income	46,655	52,886
	481,135	370,025

14. Cash and cash equivalents

	2011 £	2010 £
Bank balance	-	263,345
Cash	1,227	1,398
	1,227	264,743

	2011 £	2010 £
15. Trade and other payables		
Amounts due to construction contract customers (note 12)	47,291	34,899
Trade creditors	51,436	56,624
Amounts owed to parent company	14,060	326,527
Taxes and social security costs	88,951	77,321
Accruals and deferred income	76,049	76,713
	277,787	572,084

16. Borrowings

The Company is party to the Pennant International Group plc (the Group) facility arrangements with the bank

As security for the Group's borrowings the bank has

- A fixed charge over all book debts of the Company
- A floating charge over all the undertaking and assets of the Company
- A guarantee from the Company in respect of the borrowings

The bank may offset amounts due to and from parties to the arrangement

The net amount due to the bank at 31 December 2011 was £324,144 (2010: £632,624)

17. Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and (liabilities) recognised by the Company and the movements thereon during the current and prior period

	Accelerated capital allowances £	Other timing differences £	Tax losses £	Total £
At 1 January 2010	8029	1,634	-	9,663
Credit to income	(5,219)	11	53,589	48,381
At 1 January 2011	2,810	1,645	53,589	58,044
Credit/(charge) to income	(8,961)	(946)	(9,905)	(19,812)
At 31 December 2011	(6,151)	699	43,684	38,232

Deferred tax has been provided at 25%, the rate that will be effective from 1 April 2012 (2010. 27%)

	2011 £	2010 £
18. Share capital		
Issued and fully paid		
750,000 Ordinary shares of £1 each	750,000	750,000

The Company has one class of ordinary shares which carry no right to fixed income

	Retained earnings £
19. Statement of movements on reserves	
At 1 January 2010	(587,583)
Profit for the year	304,204
At 1 January 2011	(283,379)
Profit for the year	44,810
At 31 December 2011	(238,569)

	2011 £	2010 £
20. Notes to the statement of cash flows		
Cash (used in)/generated from operations		
Profit for the year	44,810	304,204
Income tax charge/(credit)	19,812	(48,381)
Depreciation charge	18,056	19,303
Finance charges	103	-
Operating cash flows before movement in working capital	82,781	275,126
(Increase)/decrease in receivables	(111,110)	54,965
(Decrease) in payables	(294,297)	(291,163)
Cash (used in)/ generated from operations	(322,626)	38,928
Tax paid	-	-
Interest paid	(103)	-
Net cash (used in)/ generated from operations	(322,729)	38,928

21. Employee benefits

Defined contribution

The Company contributes to a defined contribution pension scheme operated by the parent company 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

	2011 £	2010 £
Contributions payable by the Company for the year	33,680	33,399

22. Operating lease arrangements

	2011 £	2010 £
Minimum lease payments under operating leases recognized as an expense in the year	67,469	49,927

At 31 December 2011 the Company had commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2011	2010	2011	2010
	£	£	£	£
Within one year	67,200	67,200	18,053	10,989
In the second to fifth years	248,758	267,258	46,786	-
After five years	150,158	198,858	-	-
	466,116	533,316	64,839	10,989

23. Financial instruments and risk management

The Company ıs party to a centralısed treasury management functıon operated by Pennant International Group plc which is responsıble for managing lıquıdıty, interest and foreign exchange risk associated with the Group's actıvıties The approaches taken to manage risks are set out ın the Dırectors' Report.

24. Control

The Company ıs controlled by Pennant Internatıonal Group plc, ıncorporated ın England, whıch owns 100% of the Company's shares

25. Capital commitments

At 31 December 2011 and 31 December 2010 the Company had no capital commıtments

26. Contingent liability

The Company ıs party to a group registratıon for the purposes of Value Added Tax (VAT) Members of the group are jointly and severally lıable for the total tax due The amount of VAT payable by the group regıstratıon and not accrued ın the statement of financıal posıtıon was £277,533 (2010· £176,996)

27. Related party transactions

The following related party transactions took place during the year·

	2011 £	2010 £
Sale of goods and services		
Fellow subsidiaries	381,154	663,179
Purchase of goods and services		
Fellow subsidiaries	40,000	120,000
Parent company	10,000	100,000
	50,000	220,000
Year end balances for sales/purchases to/from related parties		
Owing to parent company	14,060	326,527

Sales and purchases of goods and services to related parties were made following the group's usual policies
The amounts outstanding are unsecured. No guarantees have been given or received. No provisions have been made for doubtful debts in relation to amounts owed by related parties.

Remuneration of key management personnel
Amounts paid through Pennant Training Systems Limited to Group directors who are the key management personnel of this Company were:

	2011 £	2010 £
Short term employee benefits	305,500	250,888
Post employment benefits	28,100	25,089
	333,600	275,977
Amount paid to a third party for the services of a Group director	127,250	99,600
	460,850	375,577
Number of directors for whom retirement benefits are accruing under a money purchase pension scheme	2	2

PENNANT INFORMATION SERVICES LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011		2010	
	£	£	£	£
Turnover				
Work done		2,112,351		2,584,376
Cost of sales				
Purchases	63,855		157,723	
Wages, salaries and employment costs	919,938		924,943	
Subcontract staff	474,185		491,728	
		(1,457,978)		(1,574,394)
Gross profit		654,373		1,009,982
Administrative expenses		(469,124)		(627,311)
Selling expense		(102,468)		(107,545)
Depreciation and amortisation		(18,056)		(19,303)
Profit before taxation		64,725		255,823
Finance charges		(103)		-
		64,622		255,823

PENNANT INFORMATION SERVICES LIMITED

SCHEDULE OF ADMINISTRATIVE AND SELLING EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	£	£
Administrative expenses		
Administration salaries NI and pension	119,358	111,605
Staff health plan	2,958	3,832
Recruitment	300	-
Training	3,990	213
Redundancy	44,980	-
Consultancy	3,011	2,972
Legal and professional	-	1,234
Audit fees	10,000	10,000
Quality	1,097	408
Telephone, postage and copier	15,807	17,504
Rent	50,227	59,955
Office relocation	-	14,644
Rates	26,204	36,442
Facilities	31,322	25,989
Repairs	1,704	880
Printing and stationary	2,537	2,913
Heat, light and power	6,423	12,023
Insurance	36,025	48,102
Computer costs	18,752	28,277
Subscriptions	7,457	5,407
Travel and entertaining	6,730	6,441
Motor expenses	10,956	10,960
Bank charges	2,098	2,751
Loss/(profit) on currency exchange	14,120	(1,461)
Sundry	3,068	6,220
Management charges payable	50,000	220,000
	469,124	627,311
Selling expenses		
Salaries, NI and pension	69,372	72,221
Travel and entertaining	21,622	26,618
Advertising	4,341	1,203
Motor expenses	7,133	7,503
	102,468	107,545