

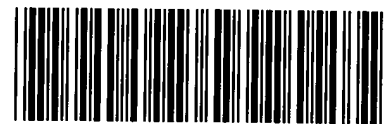
COMPANY NUMBER: 03782911

PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED
(formerly known as Pennant Information Services Limited)

FINANCIAL STATEMENTS

31 DECEMBER 2016

TUESDAY



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PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

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PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

COMPANY INFORMATION

Directors

C C Powell
C Snook
P H Walker

Secretary

P H Walker

Registered office

Pennant Court
Staverton Technology Park
Cheltenham
Gloucestershire
GL51 6TL

Auditors

Mazars LLP
45 Church Street
Birmingham
B3 2RT

Bankers

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

PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

STRATEGIC REPORT

Principal activities

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

Review of business

On 6 January 2017 the Company changed its name from Pennant Information Services Limited to Pennant Support & Development Services Limited.

The intention is to integrate the Support Services Division with the existing Information Services Division. The effect of this will be to consolidate in one operating unit the contract support functions currently spread across the Group and will result in the Group operating three divisions, Software, Support and Development, and Training.

The results for the year are set out on page 8. Turnover for the year was £1,782,517 (2015: 2,045,418). Operating loss was £98,103 (2015: Operating loss £138,138).

The main contracts and operating updates trading during the year were:

- An on-going contract to provide Operation and Maintenance Manuals and all Training Support Materials for the R188 Rail Car Project currently being built by Kawasaki Rail Car Inc. for New York City Transit Department.
- A contract with Capgemini UK PLC to develop and test a Basic PAYE Tools (BPT) product as a multi-platform, client side application that operates in unison with Her Majesty's Revenue and Customs (HMRC) Real Time Initiative for PAYE.
- A contract with Network Rail to produce five Electrical Control Room (ECR) simulators to train Electrical Control Room Operators (ECO's).

The key risk to the business is that it is dependent on the extension of existing and winning of new contracts. There are a number of good opportunities, particularly in the rail transport sector giving the Directors confidence for the future.

Approved by the Board on 9 March 2017
and signed on its behalf



P H Walker
Director

REPORT OF THE DIRECTORS

COMPANY NUMBER: 03782911

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors

The directors set out below have held office during the whole of the period from 1 January 2016 to the date of this report unless otherwise stated.

C C Powell
C Snook
P H Walker

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.

Dividends

The directors do not recommend the payment of a dividend.

Financial risk management

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 instrument is cash, the main purpose of which is to provide 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.

REPORT OF THE DIRECTORS (continued)

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.

Responsibilities of the directors

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 SUPPORT & DEVELOPMENT 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 2017.

Approved by the Board on 9 March 2017
and signed on its behalf



P H Walker
Secretary

PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

We have audited the financial statements of Pennant Support & Development Services Limited for the year ended 31 December 2016 which comprise Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 Ethical Standards for Auditors. This report is made solely to the company's members as a body in accordance with Chapter 3 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

Louis Burns

Louis Burns (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
45 Church Street
Birmingham
B3 2RT
9 March 2017

PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

Continuing operations	Notes	2016 £	2015 £
Revenue	4	1,782,517	2,045,418
Cost of sales		<u>(1,223,657)</u>	<u>(1,427,047)</u>
Gross profit		558,860	618,371
Administrative expenses		<u>(656,963)</u>	<u>(756,509)</u>
Operating loss	6	(98,103)	(138,138)
Finance costs	8	<u>(13)</u>	<u>(3,858)</u>
Loss before taxation		(98,116)	(141,996)
Taxation	9	<u>55,800</u>	<u>65,433</u>
Total comprehensive income for the year		<u><u>(42,316)</u></u>	<u><u>(76,563)</u></u>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital £	Retained Profit £	Total £
At 1 January 2015	750,000	406,838	1,156,838
Total comprehensive income for the year	<u>-</u>	<u>(76,563)</u>	<u>(76,563)</u>
At 1 January 2016	750,000	330,275	1,080,275
Total comprehensive income for the year	<u>-</u>	<u>(42,316)</u>	<u>(42,316)</u>
At 31 December 2016	<u><u>750,000</u></u>	<u><u>287,959</u></u>	<u><u>1,037,959</u></u>

PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

		2016	2015
		£	£
	Notes		
Non-current assets			
Goodwill	10	254,857	254,857
Intangible assets	11	21,492	49,549
Property, plant and equipment	12	22,433	33,248
Deferred tax assets	17	121,233	65,433
Total non-current assets		<u>420,015</u>	<u>403,087</u>
Current assets			
Trade and other receivables	14	1,480,923	1,276,646
Cash and cash equivalents	15	1,795	670
Total current assets		<u>1,482,718</u>	<u>1,277,316</u>
Total assets		<u>1,902,733</u>	<u>1,680,403</u>
Current liabilities			
Trade and other payables	16	207,161	294,797
Bank overdraft		657,613	305,331
Total current liabilities		<u>864,774</u>	<u>600,128</u>
Net current assets		<u>617,944</u>	<u>677,188</u>
Net assets		<u><u>1,037,959</u></u>	<u><u>1,080,275</u></u>
Equity			
Share capital	18	750,000	750,000
Retained profit		287,959	330,275
Total equity		<u><u>1,037,959</u></u>	<u><u>1,080,275</u></u>

Approved by the Board and authorised for issue on 9 March 2017



P H Walker
Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The recognition, measurement and disclosure requirements (except for certain disclosure exemptions detailed below) of Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

The financial statements have been prepared on the historical cost basis, except where stated otherwise. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

Disclosure exemptions applied

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8:

- (i) The requirement of IFRS 7 'Financial Instruments : Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- (ii) The requirement of IFRS 13 'Fair Value Measurement' paragraphs 91 to 99 relating to the fair value measurement disclosures of financial assets and financial liabilities that are measured at fair value, such as the available for sale investments and derivative financial instruments;
- (iii) The applicable requirements of IAS 36 'Impairment of Assets' relating to the disclosures of estimates used to measure recoverable amounts;
- (iv) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79a,iv), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73e) and the reconciliation of the carrying amount of intangible assets (IAS 18.118e).
- (v) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- (vi) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a Cash Flow Statement;
- (vii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective; and
- (viii) The requirements of IAS 24 'Related Party Disclosures' paragraph 17 relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group.

For the disclosure exemptions listed in points i to iii, the equivalent disclosures are included in the consolidated financial statements of the group, Pennant International Group PLC, which the Company is consolidated into and that are publicly available from Pennant Court, Staverton Technology Park, Cheltenham, Gloucestershire, GL51 6TL.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. Accounting policies (continued)

Adoption of new and revised standards

The following standards and interpretations have been adopted in the financial statements as they are mandatory for the year ended 31 December 2016:

Endorsed	Effective for periods beginning on or after:
Amendment to IAS 1 <i>Presentation of Financial Statements</i> : Disclosure initiative	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> : Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> : Bearer plants	1 January 2016
Amendment to IAS 19 <i>Employee Benefits</i> : Defined benefit plans - Employee contributions	1 February 2015
Amendment to IAS 27 <i>Separate Financial Statements</i> : Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> : Investment entities - Applying the consolidation exception	1 January 2016
Amendment to IFRS 11 <i>Joint Arrangements</i> : Accounting for acquisitions of interests in joint operations	1 January 2016
Annual Improvements to IFRSs (2010 - 2012)	1 February 2015
Annual Improvements to IFRSs (2012 - 2014)	1 January 2016

The adoption of the standards and interpretations above has not had a material impact on the Company's financial statements.

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).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

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.

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:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

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.

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
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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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

Financial instruments (continued)

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.

3. Critical accounting judgements and key sources of estimation uncertainty

Key source of estimation uncertainty

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires estimates of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the balance sheet date was £254,857 and the review carried out has shown no impairment.

4. Revenue

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

	2016 £	2015 £
Revenue from construction contracts	<u>1,782,517</u>	<u>2,045,418</u>

The geographical segments of revenue are as follows:

United Kingdom	1,499,623	1,954,403
USA	<u>282,894</u>	<u>91,015</u>
	<u>1,782,517</u>	<u>2,045,418</u>

PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
5. Staff costs		
Wages and salaries	785,371	859,869
Social security costs	85,251	85,477
Pension costs	36,682	37,032
	<u>907,304</u>	<u>982,378</u>

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

	Number	Number
Office and management	3	3
Production	17	18
Selling	1	1
	<u>21</u>	<u>22</u>

The directors received total remuneration of £883,762 from Pennant International Group Plc during the year, but it is not practicable to allocate this between their services as executives of Pennant International Group Plc and their services as directors of Pennant Training Systems Limited, Pennant Support & Development Services Limited and Pennant Software Services Limited.

6. Operating loss for the year	2016 £	2015 £
Operating loss for the year has been arrived at after charging/(crediting):		
Net foreign exchange (profits)	(14,332)	(2,335)
Research and development costs	-	100,960
Amortisation of intangible assets	28,057	31,701
Depreciation of property, plant and equipment	16,117	21,788
Staff costs (Note 5)	907,304	982,378
Redundancy	<u>14,956</u>	<u>47,037</u>

7. Auditors' remuneration

Fees payable to the Company's auditors for the audit of the Company's annual accounts were £12,000 (2015: £12,000). The fees are paid by Pennant International Group Plc.

PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
8. Finance costs		
Interest on financial liabilities	<u>13</u>	<u>3,858</u>
9. Taxation		
Recognised in the income statement		
Current tax expense	-	-
In respect of prior year	<u>-</u>	<u>-</u>
	-	-
Deferred tax credit relating to origination and reversal of temporary differences	<u>(55,800)</u>	<u>(65,433)</u>
Total tax credit in income statement	<u><u>(55,800)</u></u>	<u><u>(65,433)</u></u>
Reconciliation of effective tax rate		
(Loss) before tax	<u>(98,116)</u>	<u>(141,996)</u>
Tax at the applicable tax rate of 20% (2015: 21.5%)	<u>(19,623)</u>	<u>(28,754)</u>
Tax effect of expenses not deductible for tax	8,349	645
Additional deduction for R&D expenditure	-	(26,489)
Group Relief Surrender	15,618	-
Effect of change of deferred tax rate	6,698	15,362
Deferred tax not recognised	<u>(66,842)</u>	<u>26,197</u>
Total tax credit	<u><u>(55,800)</u></u>	<u><u>(65,433)</u></u>

10. Goodwill

The carrying amount of goodwill at 31 December 2016 and 31 December 2015 is £254,857. The Company tests goodwill annually for impairment.

PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. Intangible assets

	Software £
Cost	
At 1 January 2016	141,573
Additions	-
Disposals	(48,108)
	<u>93,465</u>
At 31 December 2016	<u>93,465</u>
Amortisation	
At 1 January 2015	92,024
Charge for year	28,057
Disposals	(48,108)
	<u>71,973</u>
At 31 December 2015	<u>71,973</u>
Carrying amount	
At 31 December 2016	<u>21,492</u>
At 31 December 2015	<u>49,549</u>

PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Fixtures, fittings, equipment & computers £
12. Property, plant and equipment	
Cost or valuation	
At 1 January 2016	227,123
Additions	5,302
Disposals	(80,463)
	<hr/>
At 31 December 2015	151,962
	<hr/>
Depreciation	
At 1 January 2016	193,875
Charge for the year	16,117
Disposals	(80,463)
	<hr/>
At 31 December 2016	129,529
	<hr/>
Carrying amount	
At 31 December 2016	22,433
	<hr/>
At 31 December 2015	33,248
	<hr/>

PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
13. Construction contracts		
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables	130,220	471,559
Amounts due to contract customers included in trade and other payables	(12,759)	(14,399)
	<u>117,461</u>	<u>457,160</u>
Contract costs incurred plus recognised profits less recognised losses to date	4,462,673	6,651,094
Less: progress billings	(4,345,212)	(6,193,934)
	<u>117,461</u>	<u>457,160</u>
14. Trade and other receivables		
Trade receivables	375,714	258,924
Amount due from parent company	926,910	504,157
Amounts due from construction contract customers (Note 13)	130,220	471,559
Prepayments and accrued income	48,079	42,006
	<u>1,480,923</u>	<u>1,276,646</u>
15. Cash and cash equivalents		
Bank	247	-
Cash	1,548	670
	<u>1,795</u>	<u>670</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £	2015 £
16. Trade and other payables		
Amounts due to construction contract customers (Note 13)	12,759	14,399
Trade creditors	30,911	78,163
Taxes and social security costs	100,240	107,344
Accruals and deferred income	63,251	94,891
	<u>207,161</u>	<u>294,797</u>

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 2015	-	-	-	-
(Charge)/credit to income	-	-	65,433	65,433
At 1 January 2016	-	-	65,433	65,433
(Charge)/Credit to income	-	-	55,800	55,800
At 31 December 2016	-	-	121,233	121,233

Deferred tax has been provided at 17%, the rate that will be effective from 1 April 2016 (2015: 20%).

PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
18. Share capital		
Issued and fully paid 750,000 Ordinary shares of £1 each	<u>750,000</u>	<u>750,000</u>

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

19. 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.

	2016 £	2015 £
Contributions payable by the Company for the year	<u>36,682</u>	<u>37,032</u>

20. Operating lease arrangements

Minimum lease payments under operating leases
recognised as an expense in the year

	<u>66,553</u>	<u>67,834</u>
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At 31 December 2016 the Company had commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2016 £	2015 £	2016 £	2015 £
Within one year	51,188	51,188	10,340	4,477
In the second to fifth years	106,531	157,828	16,947	10,073
After five years	-	-	-	-
	<u>157,719</u>	<u>209,016</u>	<u>27,287</u>	<u>14,550</u>

PENNANT SUPPORT & DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. Control

The Company is controlled by Pennant International Group plc, incorporated in England, which owns 100% of the Company's shares.

22. Capital commitments

At 31 December 2016 and 31 December 2015 the Company had no capital commitments.

23. Contingent liability

The Company is party to a group registration for the purposes of Value Added Tax (VAT). Members of the group are jointly and severally liable for the total tax due. The amount of VAT payable by the group registration and not accrued in the statement of financial position was £NIL (2015: £393,107).

24. Related parties

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 undertakings 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.