FOR IMMEDIATE RELEASE **12 March 2018**

PENNANT INTERNATIONAL GROUP PLC

Preliminary Results for the Year Ended 31 December 2017

Solid 2017 performance; year of transition; positive trading momentum maintained

Board strengthened; work resumed on major contract; well-placed for further growth

This announcement contains information which, prior to its disclosure by this announcement, was inside information for the purposes of the Market Abuse Regulation

Pennant International Group plc ("**Pennant**" or the "**Group**"), the AIM quoted supplier of integrated technical training and support solutions, products and services, which train and assist engineers in regulated defence and civilian sectors, is pleased to announce its Preliminary Results for the Year Ended 31 December 2017.

Commenting on the Group's performance, Simon Moore, Chairman, said:

"2017 has been a year of dynamic and transformational change for the Group, led by new management, engaged staff and supportive customers. The management team, led by Phil Walker, is building strong, and sustainable new partnerships and further strengthening existing relationships with customers across the globe, including Australia, South East Asia, the Middle East, Canada and the United States.

A key element of that transformation has been targeted investment throughout 2017 in people, product development and infrastructure to enable the Group to achieve long-term growth.

It has also been important to ensure delivery in the short-term. In the Group's Interim Results announcement, published on 11 September 2017, the Board highlighted a challenge on a major contract which had the potential to impact the Group's trading negatively against market expectations for 2017.

I am pleased that the Group was able to realise a number of opportunities to mitigate this risk during the final quarter, delivering revenue of £18.07 million and operating profit of £1.81 million for 2017."

Financial Summary

- Group revenues of £18.07 million (2016: £17.2 million);
- Gross profit margin maintained at 40% (2016: 40%);
- Profit before taxation was £1.81 million (2016: £1.90 million);
- Earnings before interest, tax and amortisation (excluding exceptional costs) was £2.11 million (2016: £2.20 million);
- Profit before taxation and one-off exceptional costs associated with the termination of the appointment of the former CEO was £1.93 million (2016: £1.90 million);
- Profit for the year attributable to shareholders was £1.53 million (2016: £1.92 million);
- Basic earnings per share of 4.65p (2016: 6.48p)
- Group net assets at year-end of £13.33 million (2016: £11.82 million);
- Net cash at year-end of £1.50 million (2016: £3.52 million); nil borrowings;
- No final dividend (2016: £NIL); dividend policy remains under review given projected working capital and investment requirements for 2018;
- Three-year order book at year-end stood at £34 million (2016: £38 million).

Operational Summary

Contracts

- Ongoing production and delivery of training aids in fulfilment of a second phase contract with undisclosed Middle Eastern customer worth in excess of £7 million;
- Full delivery of training aids in accordance with a contract with another undisclosed Middle Eastern customer worth £6 million;
- Renewal of contract for logistical support at RNAS Yeovilton for a further five years, with gross revenues anticipated to be in the region of £1.25 million over the life of the contract;
- Amendment and extension to the existing contract with BAE Systems Australia for the maintenance of training equipment at Defence Aeroskills Training Academy at Wagga Wagga. Contract extended by two years to cover 2020 and 2021, securing AUD $3.5 million to contracted revenues;
- Ongoing delivery of a contract with Lockheed Martin to provide Rotary Wing Rear Crew Winch Trainer in support of Rear Crew Training for the United Kingdom Military Flight Training System;
- A new contract with Kawasaki Heavy Industries in Japan in relation to the Thomson-East Coast Line (Singapore's new mass rapid transport rail project);
- New contracts with Network Rail for control room simulators;
- Multiple sales of Genskills Trainers to new customers in Abu Dhabi, China, Russia and Singapore;
- Amendment to the Group's contract with the Canadian Department of National Defence, adding C$3.8 million to the contract value for the remaining term to September 2018;
- An Omega PS software sale to Fleetway, Stadler Rail and Damen Shipyards Group;
- The sale of additional training aids to an undisclosed Middle Eastern customer for £1.15 million (for delivery during 2017 and 2018).

Investment

- Over £1 million invested or committed during 2017 (in addition to the £1 million investment in 2016) to acquire and improve real estate and facilities:
    - £500,000 invested to create additional office space and establish a secure fibre-optic link between the Group's two Cheltenham sites;
    - additional land acquired for £255,000 (totalling 11,000 sq. ft) in front of the recently purchased commercial premises at Staverton Connection.
- Production space has tripled to over 30,000 sq. ft.; 30 new desk spaces have been created, with new purchasing, inspection, test and stores facilities built; and a prototyping and demonstration facility established.
- Targeted product development (for new and existing products) that will significantly broaden the Group's offering and create market opportunities, including: Basic Helicopter Maintenance Trainer; Virtual Training Suite (including Loadmaster and Jumpmaster trainers and a re-engineered Virtual Parachute Training System); Omega PS - tablet deployable version and upgraded user interface.

Management

- Successful transition of Phil Walker from CFO to CEO.
- Appointment of David Clements as Commercial & Risk Director and Gary Barnes as Head of Finance.
- Other key appointments made, including an Operations Manager (overseeing key engineering, production, software and programme management functions) and a Training Specialist (a former Deputy Head of Oman Military Technological College).
- Management Committee established comprising the Group's senior managers to support the Executive Directors in the day-to-day running of the business.

Board Appointments

The Group Board is to be further strengthened by the appointment of John Ponsonby and Gary Barnes as Non-Executive Director and Finance Director respectively. These appointments will become effective on 1 April 2018.

Mr Ponsonby is a former Managing Director of Leonardo Helicopters UK (a division of AgustaWestland) and, prior to that, was the commanding officer of the RAF's No 22 (Training) Group. Mr Barnes is the Group's present Head of Finance, with operational oversight of all financial matters; he has 21 years' experience within the Pennant business and since 2017 has attended Board meetings as the executive responsible for financial reporting.

Major Contract Update

As explained in the interim results announcement on 11 September 2017, performance of one of the Group's contracts with a major UK prime contractor for electro-mechanical trainers and courseware had been delayed due to a re-scoping of the contract requirements. The re-scoping has now been completed and work re-commenced on the contract. The Group expects to conclude the legal formalities of the contract restatement imminently and this will be announced in due course.

On current trading and prospects, Mr Moore concluded:

"Prospects for the global economy in 2018 remain uncertain, and there are budgetary pressures in certain defence markets, however, Pennant is nimble, agile and responsive and so is well placed to maximise opportunities as the economic situation develops.

We are experiencing an encouraging start to the current financial year and anticipate that the full year results for 2018 will be first-half weighted owing to the adoption of IFRS 15 (as further explained in the Trading Update announcement made on 12 February 2018).

Prospects remain positive. The contracted order book, valued at more than £34 million, underpins good forward visibility of revenues well into 2020. In addition, the pipeline of active bids and other opportunities remains healthy."

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CHAIRMAN'S STATEMENT

Year of change

2017 was a year of dynamic and transformational change for the Group, led by new management, engaged staff and supportive customers.

The management team, led by Phil Walker, is building strong and sustainable new partnerships and further strengthening existing relationships with customers across the globe, including Australia, South East Asia, the Middle East, Canada and the United States.

Customers of Pennant include some of the world's leading original equipment manufacturers, governments and colleges, who are working closely with us to embed Pennant solutions into their training programmes for the long term.

The next generation of engineers around the world are being trained on a growing range of Pennant products and services.

Our traditional, bespoke engineered products are being increasingly supplemented by virtual reality solutions offering state of the art training to our customers across a widening range of industries.

Our software business is deeply engrained in the maintenance and supportability standard operating procedures of defence forces around the world. Entering the new financial year, we are launching a major overhaul of our software-offering to make it even more compelling as a market leading solution.

None of this change would have been possible without the dedication of the Pennant team, which is committed to excellence and the delivery of world class, market leading, technology driven solutions.

Key financials

In the year ended 31 December 2017 the Group delivered consolidated revenues of £18.07 million (2016: £17.21 million), driven by the continued production and delivery of work on the Middle East contracts.

The Group posted consolidated operating profit of £1.81 million (2016: operating profit of £1.90 million), which is broadly in line with the prior year and was achieved despite a prime contractor-led rescoping of one of the Group's major contracts (announced in September 2017) which resulted in revenue deferral, and exceptional termination costs (of circa £125,000) incurred on the departure of the former CEO.

Consolidated net assets increased to £13.33 million (2016: £11.82 million) reflecting the profitable trading.

Basic earnings per share were 4.65p compared to the reported earnings per share of 6.48p for the same period last year.

Dividends

The Board fully appreciates the importance of dividend payments. However, notwithstanding the trading performance, positive outlook and nil borrowings, the Directors have concluded that it is in the Company's and shareholders' current best interests to retain cash for working capital and investment in accordance with plans for future growth.

The Board will therefore not be recommending the payment of a final dividend for the year ended 31 December 2017. However, it will continue to review dividend policy throughout 2018 based on trading performance and working capital requirements.

Governance

The Board believes in robust corporate governance. We have worked closely with our advisors and in 2017 continued to strengthen our governance frameworks to ensure strong governance throughout the Group, appropriate for a company of our size. We have established appropriate risk management procedures and keep key risks to the Group under continual review.

CHAIRMAN'S STATEMENT

Our people

I would also like to take this opportunity to thank all staff across the Group for their hard work and dedication throughout this transitional year. Their commitment and drive to ensure that the business continues to deliver the high-quality solutions that our customers require and expect, operating under tight timescales, are key factors in maintaining and enhancing the ongoing and longstanding relationships we have with our customers.

Outlook

Prospects for the global economy in 2018 remain uncertain, and there are budgetary pressures in defence markets. However, Pennant is nimble, agile and responsive and so is well placed to maximise opportunities as the economic situation develops.

We are experiencing an encouraging start to the current financial year and anticipate that the full year results for 2018 will be first-half weighted owing to the adoption of IFRS 15 (as further explained in the Trading Update announcement made on 12 February 2018).

Prospects remain positive. The contracted order book, valued at more than £34 million, underpins good forward visibility of revenues well into 2020. In addition, the pipeline of active bids and other opportunities remains healthy.

CHIEF EXECUTIVE'S REVIEW

Solid performance

I am pleased to report that 2017 produced a healthy result for Pennant. In what was a transitional year, the Group overcame all the challenges faced and, most importantly, each Group company made a positive contribution to the overall performance.

Our interim report, released in September, announced positive results for the first half of the year but also highlighted a prime contractor-led rescoping of one of our major contracts that would impact revenues for the year.

I am delighted that the Group was able to realise a number of other opportunities which largely mitigated the effect of the reduced revenues on that major contract. Most importantly, the Group has continued to meet contractual milestones, delivering products and services, and securing payments in line with all performance obligations, which is testament to the dedication and hard work of all employees and the resilience of the business, enabling the positive momentum of the business as a whole to be maintained.

Financial review

The gross profit margin for the period was 40% (2016: 40%) reflecting the consistent mix of products and services delivered during the year.

Adjusted operating profit margin (taking into account one-off exceptional termination costs of £125,000) was maintained at 11%, demonstrating robust financial controls.

Cash used in operations amounted to £1.0 million (2016: cash used in operations £0.2 million), reflecting the phases of production on several major programmes. The Group continues to have nil borrowings with a healthy year-end cash balance of £1.50 million (2016: £3.52 million).

The Group's tax position shows a tax charge of £275,409 (2016: £17,691), which relates to overseas subsidiaries and the release of deferred tax. Profits generated from operations utilised £2.2 million of UK tax losses and the Group now has unrelieved tax losses carried forward of £0.3 million (2016: £2.5 million).

Research and Development tax credits claimed in the UK during the year amounted to £0.3 million (2016: £0.1 million) with further significant claims on current projects expected to be made during 2018.

The year-end order book stood at £33 million (2016: £38 million), of which £13 million (2016: £18 million) is scheduled for delivery within one year. Of the total order book, 65% (2016: 70%) is denominated in sterling and 30% (2016: 25%) is denominated in Canadian dollars. Any movement of sterling to the Canadian dollar would potentially impact the OmegaPS business.

CHIEF EXECUTIVE'S REVIEW

Operational review

Strengthening the team

The year has seen a number of key appointments, including David Clements as Commercial & Risk Director. David is a solicitor with extensive experience in corporate and commercial law gained acting for AIM- quoted and private companies.

With over 21 years' accounting experience, Gary Barnes was promoted from Group Financial Controller to Head of Finance in March 2017. In this role, Gary has been responsible for operational oversight of all financial matters and has reported direct to the Board. With effect from 1 April 2018 Gary will join the Board as Finance Director.

The Group also appointed a new Operations Manager (overseeing key engineering, production, software and programme management functions), a Training Specialist (a former Deputy Head of Oman Military Technological College), and a new Purchasing Manager.

These appointments have strengthened the Group's commercial, risk and compliance framework; financial function; training delivery, product development and user insight; and procurement process and supplier management, together underlining the Group's continued commitment to investing in people.

Product innovation

During the year the Group has focused on targeted product development and as a result work has commenced on a range of new products and enhancements that will significantly broaden the product offering and create commercial opportunities, including the following:

- Basic Helicopter Maintenance Trainer – new mechanical trainer
- Generic Stores Loading Trainer – new procedural trainer
- Virtual Parachute Training System – redesign and improvement of existing product
- Genskills Mk 2 – additional functionality added to existing product
- Virtual Training Suite – including Loadmaster and Jumpmaster trainers
- Point of Maintenance – deployable tablet version of OmegaPS
- Virtual Aircraft Training System – upgrade to model and graphics

In line with our core strategic objectives these product innovations will significantly expand the Group's market coverage and improve the overall customer proposition.

CHIEF EXECUTIVE'S REVIEW

Operational review

Infrastructure

The Group has continued to modernise and improve its facilities with over £1m invested or committed during 2017, in addition to the £1m investment in 2016.

In July 2017, the Board committed to spending afurther £500,000 on the Group's facilities to create additional office space and establish a secure fibre-optic link between its two Cheltenham sites. This work has been successfully concluded within budget and provides essential infrastructure for growth. With an expanded workforce, the new offices are already being fully utilised.

In October 2017 the Group acquired land for £255,000 (totalling 11,000 sq. ft) in front of the recently acquired commercial premises at Staverton Connection. The purchase provides additional space for expansion and crucially secures the entire site.

Following these investments: the Group's production capacity has tripled to over 30,000 sq. ft; 30 new desk spaces have been created; new purchasing, inspection, test and stores facility have been built; and a prototyping and demonstration facility has been established.

Our people

Our employees remain core to our future business success. Without talented people, there are no product innovations or technical solutions.

During 2017 we strengthened and grew the teams across our UK, Canadian and Australian operations. To attract the right people with the specialist skills required, we strive to be an employer that offers an exciting and rewarding place to work.

The Group is committed to providing meaningful and challenging roles for our employees. It is critical to our success to engender a working environment that encourages innovation and supports a culture of delivering world class products and services that meet customers' needs.

The Group's employees have diverse experience and educational, professional and cultural backgrounds and we respect equality of opportunity for all existing and prospective employees without unlawful or unfair discrimination and regardless of age, gender, background or ethnic origin.

The Pennant team has responded exceptionally well to the challenges presented during the year and the Group's strong reputation and longstanding relationships with many of its customers are the measure of its success.

CHIEF EXECUTIVE'S REVIEW

Operational review

New contract awards and operational achievements during the year are set out below:

- ongoing production and delivery of training aids in fulfilment of a second phase contract with an undisclosed Middle Eastern customer worth in excess of £7 million;
- ongoing production and successful delivery of training aids in accordance with a contract with another undisclosed Middle Eastern customer worth £6 million;
- performance of a major contract affected by delays in the provision to the Group of programme-critical customer data and requirements;
- renewal of contract for logistical support at RNAS Yeovilton for a further five years, with gross revenues anticipated to be in the region of £1.25 million over the life of the contract;
- amendment and extension to the existing contract with BAE Systems Australia for the maintenance of training equipment at Defence Aeroskills Training Academy at Wagga Wagga. Contract extended by two years to cover 2020 and 2021, securing AUD $3.5 million to contracted revenues;
- ongoing delivery of a contract with Lockheed Martin to provide Rotary Wing Rear Crew Winch Trainer in support of Rear Crew Training for the United Kingdom Military Flight Training System;
- a new contract with Kawasaki Heavy Industries in Japan in relation to the Thomson-East Coast Line (Singapore's new mass rapid transport rail project);
- new contracts with Network Rail for control room simulators;
- multiple sales of Genskills Trainers to new customers in Abu Dhabi, China, Russia and Singapore;
- amendment to the Group's contract with the Canadian Department of National Defence, adding C$3.8 million to the contract value for the remaining term to September 2018;
- an Omega PS software sale to Fleetway, Stadler Rail and Damen Shipyards Group; and
- the sale of additional training aids to an undisclosed Middle Eastern customer for £1.15 million (for delivery during 2017 and 2018).

CHIEF EXECUTIVE'S REVIEW

Engineering future growth

The underlying strengths of Pennant – our long-term customer relationships, our specialist services and our quality-assured reputation - remain the solid foundation of our offerings across the Group.

The continued investment in infrastructure, people and products means that the business has the tools required to drive future growth.

The Group has significant ongoing orders that will provide work through 2018, 2019 and beyond and there are further prospects with both existing and new customers many of which represent substantial opportunities for new business. Although the timing of major contract awards has proved to be both difficult to predict and beyond the Group's control, we remain confident that the following factors point towards significant potential for growth:

- new capital equipment platforms for land, naval, air and rail are becoming more sophisticated and complex thereby increasing the requirement for training;
- the use of 'real' equipment for training has safety implications, is expensive and often impractical;
- there is a continuing trend for defence forces and other organisations to outsource training services, including updating their training devices;
- global training regulations are harmonising and the ability to utilise synthetic training is increasing; and
- global expenditure on defence and rail is on the rise.

The Board is confident that it can continue to increase revenues through organic growth and will continue to explore ways to complement our organic growth strategy by pursuing opportunities for corporate development, including strategic acquisitions, partnerships and joint ventures, carefully considering options to expand our capabilities and service offering such as the teaming agreements entered into during the year with US and UK partners.

The delivery achieved in the year, together with operational improvements implemented across the Group, provides a firm platform for future performance.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016
Continuing operations		**£**	£
Revenue		**18,069,960**	17,211,455
Cost of sales		**(10,906,992)**	(10,249,472)
Gross profit		**7,162,968**	6,961,983
Administrative expenses		**(5,356,895)**	(5,057,374)
Operating profit		**1,806,073**	1,904,609
Finance costs		**(2,693)**	(9,051)
Finance income		**5,371**	7,781
Profit before taxation		**1,808,751**	1,903,339
Taxation (charge) / credit	1	**(275,409)**	17,691
Profit for the year attributable to the equity holders of the parent		**1,533,342**	1,921,030
Earnings per share			
Basic		**4.65p**	6.48p
Diluted		**4.30p**	6.06p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016
		£	£
Profit for the year attributable to the equity holders of the parent		**1,533,342**	1,921,030
Other comprehensive income: *Items that will not be reclassified to profit and loss*			
Property impairment		**-**	(276,212)
Deferred tax		**-**	46,956
Items that may be reclassified to profit or loss Exchange differences on translation of foreign operations		**(85,055)**	413,469
Total comprehensive income for the period attributable to the equity holders of the parent		**1,448,287**	2,105,243

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

	Notes	**2017**	2016
		£	£
Non-current assets			
Goodwill		**962,133**	964,159
Other intangible assets		**231,048**	295,780
Property, plant and equipment		**3,702,851**	2,642,448
Deferred tax assets		**310,699**	482,989
Total non-current assets		**5,206,731**	4,385,376
Current assets			
Inventories		**74,629**	-
Trade and other receivables		**10,153,650**	7,820,128
Cash and cash equivalents		**1,502,655**	3,517,541
Asset held for sale		**-**	575,000
Total current assets		**11,730,934**	11,912,669
Total assets		**16,937,665**	16,298,045
Current liabilities			
Trade and other payables		**2,808,009**	3,824,925
Current tax liabilities		**80,600**	1,610
Obligations under finance leases		**4,945**	4,070
Deferred revenue		**124,848**	162,500
Total current liabilities		**3,018,402**	3,993,105
Net current assets		**8,712,532**	7,919,564
Non-current liabilities			
Obligations under finance leases		**26,895**	31,957
Deferred revenue		**6,325**	18,403
Deferred tax liabilities		**307,916**	287,625
Warranty provisions		**250,000**	150,000
Total non-current liabilities		**591,136**	487,985
Total liabilities		**3,609,538**	4,481,090
Net assets		**13,328,127**	11,816,955
Equity			
Share capital		**1,647,177**	1,649,277
Share premium account		**2,677,571**	2,685,971
Capital redemption reserve		**200,000**	200,000
Retained earnings		**7,982,360**	6,347,343
Translation reserve		**332,012**	417,067
Revaluation reserve		**489,007**	517,297
Total equity		**13,328,127**	11,816,955

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Share Premium (see below)	Capital redemption reserve (see below)	Treasury shares (Note 29)	Retained earnings	Translation reserve (see below)	Revaluation reserve (see below)	Total equity
	£	£	£	£	£	£	£	£
At 1 January 2016	1,402,100	8,400	200,000	(418,225)	4,230,206	3,598	839,157	6,265,236
Profit for the year	-	-	-	-	1,921,030	-	-	1,921,030
Other comprehensive income	-	-	-	-	-	413,469	(276,212)	137,257
Total comprehensive income	1,402,100	8,400	200,000	(418,225)	6,151,236	417,067	562,945	8,323,523
Issue of ordinary shares	247,177	2,677,571	-	418,225	-	-	-	3,342,973
Recognition of share based payment	-	-	-	-	103,503	-	-	103,503
Transfer from revaluation reserve	-	-	-	-	46,956	-	-	46,956
Deferred tax on revaluation	-	-	-	-	45,648	-	(45,648)	-
At 1 January 2017	1,649,277	2,685,971	200,000	-	6,347,343	417,067	517,297	11,816,955
Profit for the year	-	-	-	-	1,533,342	-	-	1,533,342
Other comprehensive income	-	-	-	-	-	(85,055)	-	(85,055)
Total comprehensive income	1,649,277	2,685,971	200,000	-	7,880,685	332,012	517,297	13,265,242
Cancellation of B and C shares	(2,100)	(8,400)	-	-	-	-	-	(10,500)
Recognition of share based payment	-	-	-	-	73,385	-	-	73,385
Transfer from revaluation reserve	-	-	-	-	28,290	-	(28,290)	-
At 31 December 2017	**1,647,177**	**2,677,571**	**200,000**	**-**	**7,982,360**	**332,012**	**489,007**	**13,328,127**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Net cash from operations		**(988,536)**	(249,248)
Investing activities			
Interest received		**5,371**	7,781
Purchase of intangible assets		**(227,108)**	(28,438)
Purchase of property, plant and equipment		**(1,282,088)**	(1,086,896)
Proceeds from sale of motor vehicles		**-**	12,491
Proceeds from sale of available-for-sale investments		**575,000**	4,314
Net cash used in investing activities		**(928,825)**	(1,090,748)
Financing activities			
Proceeds from sale of ordinary shares		**(10,500)**	3,342,973
Net funds from obligations under finance leases		**(4,187)**	13,842
Net cash used in financing activities		**(14,687)**	3,356,815
Net increase in cash and cash equivalents		**(1,932,048)**	2,016,819
Cash and cash equivalents at beginning of year		**3,517,541**	1,123,456
Effect of foreign exchange rates		**(82,838)**	377,266
Cash and cash equivalents at end of year		**1,502,655**	3,517,541

ABBREVIATED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Taxation

	2017 £	2016 £
Recognised in the income statement		
Current UK tax expense	**52,218**	3,511
Foreign tax	**34,385**	64,657
In respect of prior years	**(3,511)**	(82,156)
	83,092	(13,988)
Deferred tax expense relating to origination and reversal of temporary differences	**189,398**	17,720
Exchange rate difference	**2,919**	-
Effect of tax rate change on opening balance	**-**	(21,423)
Total tax expense	**275,409**	(17,691)
Reconciliation of effective tax rate		
Profit before tax	**1,809,754**	1,903,339
Tax at the applicable rate of 19.25% (2016: 20%)	**348,378**	380,666
Tax effect of expenses not deductible in determining taxable profit	**19,788**	57,418
Additional deduction for R&D expenditure	**(77,974)**	-
Tax effect of utilisation of losses not previously recognised	**-**	-
Foreign tax credits	**2,250**	29,265
Effect of different tax rates of subsidiaries operating in other jurisdictions	**-**	4,437
Effect of change of deferred tax rate	**8,853**	(33,529)
Losses arising not recognised in deferred tax	**(40,612)**	-
Utilisation of unrecognised deferred tax	**(2,169)**	(367,922)
Effect of adjustments for prior years	**-**	(82,156)
Other differences	**16,895**	(5,870)
Total tax expense	**275,409**	(17,691)

2. Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in the Companies Act 2006.

The statement of financial position at 31 December 2017 and income statement, statement of changes in equity, statement of cash flows and associated notes for the year ended have been extracted from the Company's 2017 financial statements upon which the auditor opinion is unqualified.

Copies of the 2017 Annual Report and Accounts will be distributed to shareholders shortly and will be available on the Company's website: www.pennantplc.co.uk. Further copies may be obtained by contacting the Company Secretary at Pennant Court, Staverton Technology Park, Cheltenham GL51 6TL.