FOR IMMEDIATE RELEASE **12 February 2018**

PENNANT INTERNATIONAL GROUP PLC

Trading Update and IFRS15 Impact

Notice of Results

This announcement contains information which, prior to its release via 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 training and support solutions, products and services, principally to the defence, rail, aerospace and naval sectors and to Government Departments, is pleased to announce a trading update for the 2017 financial year ("**FY 2017**") ahead of the announcement of its full results for the year.

The Group also confirms that it is required to report under the new International Financial Reporting Standard 15 ("**IFRS15**") with effect from 1 January 2018 and this announcement provides further detail about the impact of doing so.

Trading Update FY 2017

Preliminary unaudited assessment of the Group's trading for FY2017 indicates that Pennant is 'on track' to deliver results in line with market expectations (with revenue of over £18 million and EBITA of approximately £2.1 million).

With a strong order book (circa £33 million at year end), significant bids in progress and a healthy pipeline, the Group is confident about its prospects for the future.

The audited results for FY2017 will be released on 12 March 2018.

IFRS15 Impact

Introduction

This section of the announcement summarises the effect on the Group of adopting IFRS15.

Key points

1. Revenue in relation to the production of generic Commercial Off The Shelf ("**COTS**") products (such as the GenFly, GenSkills and IAMT) will only be recognised on completion of the contract, delivery of the product, or upon a contractual acceptance milestone, rather than throughout the duration of the contract.

2. This means that if a COTS item is produced in one year but the acceptance or delivery of the item (as the case may be) takes place the following year, all revenue associated with that item would be recognised in the second year.

3. Costs incurred to date on COTS products will be shown as work-in-progress held on the balance sheet at cost.

4. Revenue in relation to engineered-to-order solutions (such as the Wildcat trainers for the MOD), previously recognised on a percentage of costs completed basis, will continue to be recognised on fundamentally the same basis.

5. Revenue on services contracts will continue to be recognised over time as the customer receives the service.

6. Profit on contracts will continue to be recognised progressively as risks are mitigated or retired.

7. No impact is anticipated on the way that Pennant manages its contracts.

8. No impact is anticipated on the lifetime revenue and profitability of contracts or the timing of cash receipts, which are determined by the terms and conditions of those contracts.

Pennant's financial reporting for FY 2017 and the 2018 financial year ("FY 2018")

- The Group is reporting its results for FY 2017 under IAS 11 and 18 and the results for FY 2017 will not be restated following the adoption of IFRS15.

- The adoption of IFRS15 with effect from 1 January 2018 will require Pennant to:

    - report revenue and profit on certain contracts in FY 2018 where the relevant work was carried out, costs incurred, and revenue and profit recognised during prior financial years but where the completion, acceptance or delivery of the relevant goods under those contracts will occur during FY 2018 (as explained in key points 1 and 2 above);

    - make a corresponding transitional adjustment to the Group's opening reserves for FY 2018 to reflect the impact of adopting IFRS15 in relation to such contracts (the "**Opening Adjustment**").

- The Opening Adjustment comprises the recognition of approximately £7 million of revenue and £3 million of EBITA.

- In addition to the Opening Adjustment, the adoption of IFRS15 is also likely to result in revenue and profit on work carried out during FY 2018 being reported across 2019 and 2020, rather than for FY 2018 (as explained in the 'key points' section above).

- The ultimate impact of the later recognition of revenue and profit will depend on the mix of products worked on during FY 2018 but the present estimate is approximately £5 million of revenue and £2 million of EBITA.

- The anticipated net effect of Pennant adopting IFRS15 (taking into account the Opening Adjustment and the later recognition of revenue and profit) is a positive adjustment to revenue and EBITA for FY 2018 of £2 million and £1 million respectively

- Forecasts for FY 2018 and beyond will be presented on a basis consistent with the new standard (being the basis on which the Group must report).

- The estimated impact on the Group's underlying earnings per share for FY 2018 is an increase of approximately 9p.

- The Group's results announced for the half year ending 30 June 2018 will be the first to be prepared under IFRS15 and will not include restated comparatives for the half year ended 30 June 2017.

Enquiries:

Pennant International Group plc Philip Walker, CEO David Clements, Commercial Director	www.pennantplc.co.uk +44 (0) 1452 714 914
WH Ireland Limited Mike Coe / Ed Allsopp	www.whirelandplc.com +44 (0) 117 945 3470
Walbrook PR (Financial PR) Paul Vann / Tom Cooper	paul.vann@walbrookpr.com +44 (0)20 7933 8780 Mob: +44 (0)7768 807631

Disclaimer: By their nature forward-looking statements involve risk and uncertainty as they relate to events and depend on circumstances that may occur in the future. Although the Company believes such statements are reasonable, no assurance can be given that these expectations will prove to be correct. There are a number of factors, many of which are beyond the control of the Company, which could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements. No representation or warranty express or implied is made as to the fairness, accuracy or completeness of the information contained in this presentation and no reliance should be placed upon it. Save in the case of fraud, no liability is or will be accepted for such information by the Company, its advisers or any of their respective directors, officers, employees, agents or advisers or any other person. In particular it should be noted that information about past performance is not a guide as to future performance.