



11th December 2015

**Pennant International Group plc
(AIM: PEN)
Trading Update**

Delayed contract awards resulting in increased H2 loss;
New contract with major aerospace and defence contractor;
Improvement in cash position;
Positive outlook with strong Order Book for 2016/17;

Pennant International Group plc (“Pennant” or “the Group”), the AIM quoted supplier of integrated logistic support solutions, products and services, principally to the defence, rail, aerospace and naval sectors and to Government Departments, announces the following trading update ahead of the announcement of the Group’s preliminary results for the year ended 31 December 2015. The results are expected to be released in the first half of April 2016.

In the Group’s interim statement published on 28th September 2015, the Board stated that the outcome for the full year would be dependent on the timing of securing certain contracts with an aggregate tender value in excess of £15m. One of these contracts has now been secured, pre contract work has been agreed and has commenced on another and the Directors’ confidence of signing the remaining major contract with a Middle Eastern client has been further enhanced following recent further developments.

Despite this progress, the delays in these contracts have adversely impacted the results for H2. As a result the loss for H2 is now expected to be significantly greater than that reported in H1. H2 has however, as expected, seen a significant improvement in the cash position from interims, with year-end balance likely to be in line with the opening net cash position at circa £1m.

In relation to the contracts referred to above, the first was announced on 28 September 2015. This contract is worth in excess of £7 million is with General Dynamics UK, a new customer for the Group. This contract is for the development of Computer Based Training and electro-mechanical Maintenance Trainers for the AJAX armoured fighting vehicle programme currently being developed for the British Army.

The Group’s wholly owned subsidiary, Pennant Training Systems Limited (“PTSL”), has agreed and commenced pre contract work on the second contract prospect. This work is for a leading global aerospace and defence contractor, which is a landmark new customer for Pennant. The contract which is expected to follow the initial order is expected to include options which, if exercised, would increase the aggregate contract value to in excess of £2.2m.

In addition, PTSL is pleased to report it has recently secured another two year contract extension to the integrated support contract to the Flight Simulation and Synthetic Trainers Project Team ("FsAST PT). The option exercised is valued at £2.4m and commences on 1 April 2016, running through to 31 March 2018. Under the contract PTSL will continue to provide maintenance and post design support to synthetic and mechanical devices used for Tri-Service aircraft maintenance, ground and rear crew training. PTSL has carried out this role since 2000.

The current order book for delivery in 2016 and 2017 produces underlying revenue of £10.2m in each of the next two years which is more than the anticipated Group revenue for 2015. Given this forward order book, the steps taken earlier in the year to realign the cost base and the encouraging order prospect pipeline, the Directors are confident as to the Group's financial prospects well into 2017.

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