



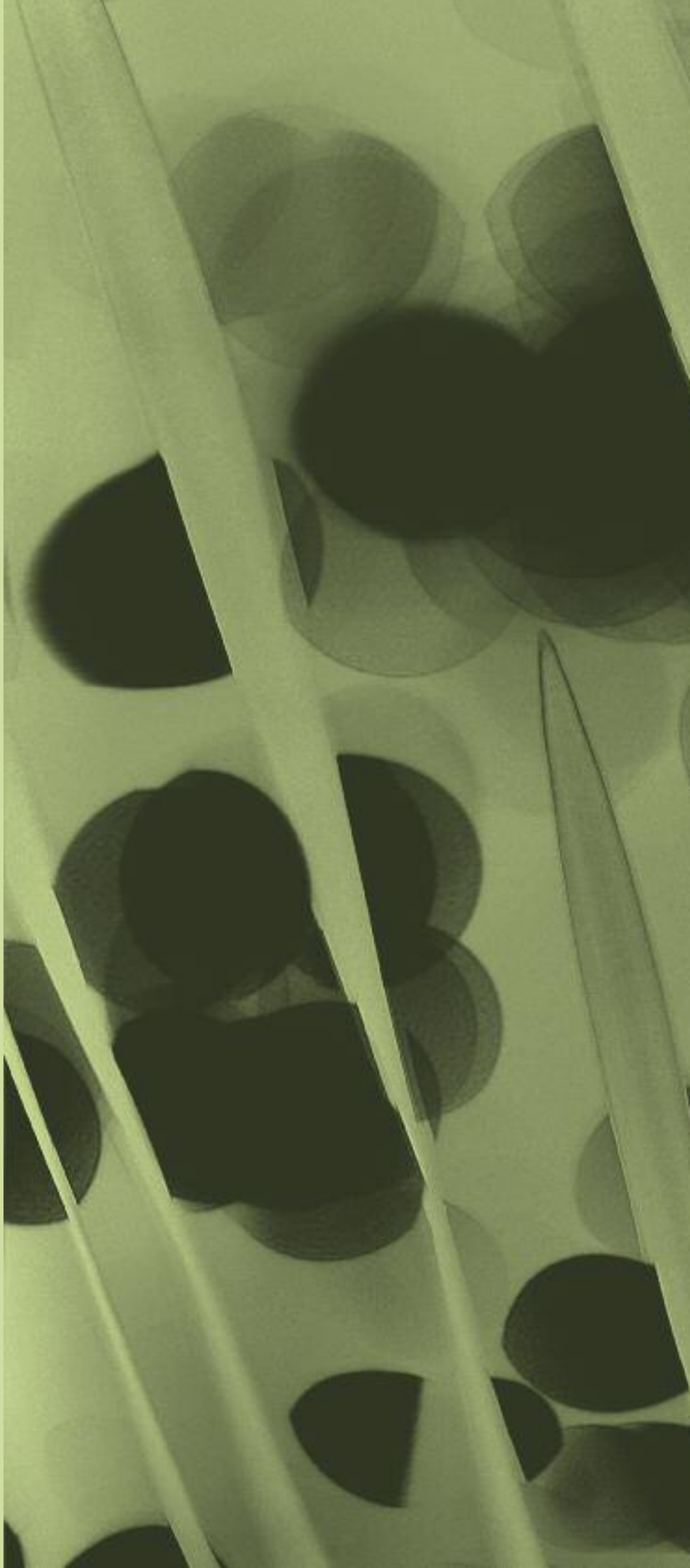
Penna

# PENNA CONSULTING PLC

## Report and Accounts 2009

## Contents

02	Chairman's review
04	Report of the directors
06	Corporate governance statement
08	Directors' remuneration report
11	Consolidated income statement
12	Consolidated statement of changes in equity
13	Consolidated balance sheet
14	Consolidated cash flow statement
15	Notes to the financial statements
33	Company balance sheet
34	Notes to the Company financial statements
37	Independent auditor's report
38	Further information



# Penna Consulting Plc

## Highlights

Revenue up 30% to £63.2m (2008: £48.6m)

Profit before tax up 176% to £6.0m (2008: £2.18m)

Fully diluted earnings per share from continuing activities up 185% to 17.1p (2008: 6.0p)

Cash tripled to £8.88m (2008: £2.96m)

No bank debt

Final dividend doubled to 4p (2008: 2p)

Full Year Dividends 6p (2008: 2p)

# Chairman's review

The Group completed a very successful year on 31 March 2009 and our Preliminary Statement of 2 June 2009 detailed substantial growth of Revenue, Operating Margin, Earnings per Share and Net Cash. Five weeks after the Preliminary Statement we announced on 29 June 2009 the acquisition of the Barkers Group ("Barkers"), a very significant and positive move which brings changes to the relative scale of our key business streams and positions the Group for further expansion.

Recognising the importance of the Barkers acquisition, this Report first discusses Penna's results for year ended 31 March 2009, then details the Barkers acquisition and finally outlines the New Shape of Penna, outlining the range of services of each of our newly restructured Divisions.

## Results for 2008/9

Revenue for the year ended 31 March 2009 was up 30% to £63.2m (2008: £48.6m). Operating expenses were controlled well and our operating margin more than doubled from 4.5% to 9.3% producing profits before taxation up 176% to £6.0m (2008: £2.2m) and fully diluted earnings per share of 17.1p (2008: 6.0p).

Penna's businesses continued to be highly cash generative and our balance sheet at year end was strong with cash of £8.9m (2008: £3.0m), no bank debt and loan facilities established in 2007 remaining undrawn.

In light of these excellent results the Board is pleased to recommend a final dividend of 4p per share making a total dividend for the year of 6p (2008: 2p). The proposed final dividend will be payable on 27 October 2009 to shareholders on the register on 18 September 2009.

## Operations

Revenues	% of Total	Year to 31 March 2009	Year to 31 March 2008	Year on year % Growth
<b>Resourcing</b>	<b>44%</b>	<b>£27.5m</b>	£22.9m	<b>+20%</b>
Executive Search Resourcing Solutions Executive Interim Management Recruitment Marketing and Communications				
<b>Career Transition</b>	<b>43%</b>	<b>£27.2m</b>	£18.0m	<b>+51%</b>
Outplacement Services				
<b>Consulting</b>	<b>13%</b>	<b>£8.5m</b>	£7.6m	<b>+12%</b>
Organisational Design Executive Coaching Assessment Programmes				
<b>Total revenue</b>	<b>100%</b>	<b>£63.2m</b>	£48.5m	<b>+30%</b>

Resourcing has performed very well in a difficult market when many competitors have experienced declines in demand and margins. A significant contributor to growth has been our emergence as a leading provider of recruitment solutions for large organisations requiring an integrated approach to setting up or relocating a major unit.

We have the in-house capability to provide recruitment advertising and internet sites to attract the best talent, response handling systems to effectively deal with high volumes of applications, assessment centres to test and select the right applicants, induction programmes to introduce the recruits to their new

environment and project management to ensure that the whole process is completed with the highest quality of service and with achievement of all time and cost targets.

Our Interim Management team has continued its impressive growth and we believe we are the UK's second largest provider of temporary managers.

Career Transition has continued to grow rapidly. We are the UK's largest provider of outplacement services to the private sector and our market share grew from 26% in 2006 to 34% during 2008 (published data from the Association of Career Firms). Penna serves a majority of the country's largest financial, commercial and industrial companies and many public sector organisations. Many of our clients have embarked on long term restructuring programmes that will take some years to implement. Forward commitments and work in progress are at record levels.

Our Consulting activities provide advice and support to organisations and executives as they manage changes in their businesses. Our services include organisational design, individual coaching for Executives and the design and implementation of assessment programmes to ensure organisations make the best recruitment decisions and continually identify and develop talent within the workforce. Revenues in 2009 grew by 12% to £8.5m.

## Barkers acquisition

On 29 June 2009 we announced that we had completed the acquisition of The Barkers Group for cash consideration of £8.6 million.

Charles Barker founded Barkers in 1812 thus creating the world's first advertising agency. For nearly 200 years Barkers has played a leading part in the development of advertising and has recently been among the first to embrace recruitment marketing through digital media. Barkers primary focus is recruitment marketing and communications and is the UK's largest recruitment advertising agency. The great majority of Barkers revenue comes from long term contracts with its clients and is divided equally between the Public and Private sectors.

In 2004 Barkers acquired TCS Recruitment Limited and has successfully operated this business as a separate niche brand since that time.

The total UK market for recruitment marketing is estimated to be around £1.6 billion and we are very pleased to have acquired the clear industry leader.

In addition to its digital and print recruitment advertising business streams, Barkers has built an important position in the rapidly growing business of Resourcing Solutions. This business is similar to, but significantly larger than, the Penna Recruitment Projects unit which we have been pleased to see grow profitably in recent years.

The opportunity to purchase Barkers arose because its parent company BNB Recruitment Solutions Plc (BNB) had excessive debt and a number of onerous leases.

Barkers itself, however, has shown considerable resilience and in the difficult year of 2008 had turnover of £125.5m, an average of 440 employees, and EBITDA of £2.4m.

During 2008 and into the first half of 2009 the recession led to a considerable reduction in recruitment activity and thus in recruitment advertising revenue. Barkers had to respond by reducing its workforce and at the date of our acquisition there were 242 employees.

Barkers UK locations exactly match existing Penna offices and there is considerable scope for space and administrative savings in the regions as offices are merged.

I am very pleased to say that in the first six weeks following the acquisition there have been no significant losses of clients and indeed we are delighted that there have been a number of new client wins. However, the recession continues and expenditure per client is inevitably at reduced levels. For planning purposes we are therefore assuming that Barkers current turnover will be reduced from the 2008 level by a similar percentage as the 42% reduction in employee numbers.

Penna's cash position allowed us to move quickly and decisively when the opportunity to acquire Barkers presented itself. We continue to believe that a strong and liquid balance sheet is of great importance in today's trading environment. We intend to recover a considerable proportion of the cash consideration paid for Barkers through the management of working capital and I am therefore particularly pleased to note that on Friday 7 August 2009 our cash balance was £4.9m.

#### The New Shape of Penna

Following Penna's acquisition of Barkers we have organised the enlarged Group into four business groups.

Penna Creative Communications has merged with the Barkers Recruitment Advertising teams (Barkers and TCS) to form **Penna Recruitment Marketing and Communications** which trade as **Penna Barkers** and **Penna TCS**.

Penna's Recruitment Projects team has merged with the Barkers Resourcing Group to form **Penna Resourcing Solutions**.

Penna's Executive Interim Management and Executive Search and Selection teams will merge together and become **Penna Executive Recruitment and Interim**.

Penna's Career Transition, HR Consulting and Executive Coaching teams will merge to become **Penna HR Consulting**.

Because of the significant recent change in the number of Barker's employees it is only possible to give very broad indications of the scale of each of the four Divisions. It is, however, very clear that each of them will have formidable market presence.

**Penna Recruitment Marketing and Communications** (c.35% of Penna turnover) is the UK's largest Recruitment Advertising Agency.

**Penna Resourcing Solutions** (c.10%) is one of the UK's three leading integrated recruitment project managers.

**Penna Executive Recruitment and Interim** (c.20%) is a leading Public Sector Executive Search consultancy and its Executive Interim Management team is the second largest in the UK.

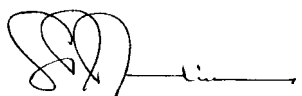
**Penna HR Consulting** (c.35%) is a leader in Organisation Design, Executive Coaching and Leadership development and is the UK's largest Private Sector Career Transition consultancy.

#### Outlook

Penna provides its clients with a broad range of human resource services focussed on the management of change within large organisations. All of our Penna business streams produced profitable growth in 2008/9 and the acquisition of Barkers brings a significant increase in the scale of the Group and leadership of the recruitment advertising market.

I was pleased to report in our Preliminary Statement that the new financial year started well and that we have a high level of work in progress.

We expect to achieve continuing growth and intend to maintain a progressive dividend policy.



Stephen Rowlinson  
Chairman  
14 August 2009

# Report of the directors

for the year ended 31 March 2009

The Directors present their report and the audited accounts for the year ended 31 March 2009.

## Principal Activities, Trading Review and Future Developments

The principal activity of the Group is the provision of human capital management consultancy. A review of the Group's activities, performance in the year, key performance indicators and an outline of its future prospects can be found in the Chairman's review on pages 2 and 3.

The French branch is part of Penna Plc, which is a subsidiary of Penna Consulting Plc. This branch was closed in the year.

Following the year end Penna Plc, a subsidiary of Penna Consulting Plc, acquired the business assets of Barkers Group Limited on the 29 June 2009 for a consideration of £8.6m in cash paid on acquisition. (see note 32).

## Profits and Dividends

The Group profit before taxation amounted to £6,003,000 (2008: £2,175,000).

The Directors recommend the payment of a final dividend of 4 pence per Ordinary share for the year. (2008: 2p). Subject to approval at the Company's Annual General Meeting to be held on 24 September 2009, the dividend will be paid on 27 October 2009 to shareholders on the Company's register as at the record date of 18 September 2009.

## Enhanced Business Review Risks and uncertainties

The Group operates in a competitive environment affected, amongst other things, by the impact of macro-economic factors on the propensity for our customers to buy the services we offer and by the activities of our competitors.

Changes in general economic conditions will affect the level of demand for each of our services in different ways. For example adverse economic conditions may lead to more organisations reducing staffing levels thereby increasing the demand for our Career Transition services but reducing the demand for Recruiting services. The Group's strategy has been developed to provide a broad range of services for our customers and to manage the cost of delivering these services in a flexible way primarily through the use of self-employed professionals and investing in technology.

The competitive risk arising from the activities of our competitors manifests itself in price pressure and service development. The Group continually monitors market prices and our bonus policies include an element based on gross margin percentage achieved. The Group develops innovative solutions to address clients' needs and our service lines pride themselves on continually developing new ideas that retains existing clients and attracts new business.

Details of financial risks are provided in note 18 to the financial statements. Financial aspects and key performance indicators being cash position, operating margin and revenue growth of the enhanced business review have been incorporated in the Chairman's Review on pages 2 and 3.

## Financial instruments

Details of the use of financial instruments by the company and its subsidiary undertakings are contained in note 18 of the financial statements.

## Directors

Directors who served during the year were:

**Stephen Rowlinson, Chairman, aged 69.** Stephen Rowlinson has many years of experience of the human capital management sector from his work with McKinsey, Korn/Ferry, Bartlett Scott Edgar and during his time as Chief Executive of Sanders & Sidney in the early 1990's. He joined the board in December 2004 and became Chairman in February 2005.

**Gary Browning, Chief Executive, aged 48.** Gary Browning joined Penna in 2002. He was appointed Director of Operations in 2004 and joined the Board in February 2005. Gary's earlier career included 12 years with the WPP Group where, from 1997 to 2002, he was Managing Director of BDG McColl Ltd. Gary is a Chartered Accountant and qualified with KPMG having studied for his degree at Warwick University.

**David S P Firth, FCA, Finance Director, aged 48.** David Firth qualified as a Chartered Accountant with Thomson McLintock in 1985. He joined the Board of the Company in September 1999. Previously he was Finance Director of Parity Plc.

**David F Banks †, Non-Executive Director, aged 66.** David Banks was Senior Vice President of The Chase Manhattan Bank, President of the Financial Services Group of Continental Grain Company, Chief Executive Officer of AT&T Capital and Executive Chairman of Newcourt Credit Group. He joined the Board of the Company in December 1994. He is currently Non-executive Director of Dynex Power Inc. and Chairman and Chief Executive Officer of Carlyle Banks & Co. as well as a Director of Nightingale Informatix Corporation and Medicare Inc.

**Sir James Harvie-Watt\* †, Bt, FCA, Non-Executive Director, aged 68.**

Sir James, who qualified as a Chartered Accountant with Coopers & Lybrand, was previously Managing Director of Wembley Stadium Limited and a Director of various other companies in the leisure sector. He is currently Chairman of Oliver & Saunders Group Limited and he is also a Non-Executive Director of other companies. He joined the Board of the Company in 1995.

**Richard Stillwell\* †, Non-Executive Director, aged 60.** Richard Stillwell was, until 2000, a member of the ICI Executive as Executive Vice-President of Industrial Specialities. Previous appointments during a 26-year career with ICI included Chief Executive of ICI Polyurethanes and ICI's Human Resources and Safety, Health and Environment Director. He was a Trustee Director of the ICI Pension Fund. He joined the Board of the Company in January 2002. He is Chairman of Scott Bader Company Limited and a Non-Executive Director of Fiberweb plc, St. Ives Plc and TBI Limited. He qualified as a barrister in 2002.

\* Member of the Audit Committee † Member of the Remuneration Committee.

## Directors' Responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors have chosen to prepare financial statements for the company in accordance with UK Generally Accepted Accounting Practice.

## Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

# Report of the directors continued

for the year ended 31 March 2009

## Parent company financial statements

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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Statement as to Disclosure of Information to Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

The Company has maintained insurance throughout the year to cover all Directors against liabilities in relation to the Company and its subsidiary undertakings.

## Substantial Shareholdings

At 14 August 2009 disclosures had been made to the Company of interests (other than holdings of Directors) in the issued share capital of the Company in excess of 3% as follows:

	Registered holding 000's	% of issued share capital
Jeremy Hosking Esq	3,548	14.0%
Gartmore Investment Limited	3,570	14.1%
Suzie Mumme	3,196	12.6%
Invesco Perpetual	1,336	5.3%
Aberdeen Asset Management	956	3.8%
Liontrust Asset Management Ltd	761	3.0%

Details of Directors' interests in the Company's ordinary share capital are given in the Directors' Remuneration report on pages 8 to 10.

## Employees

We are committed to sustainable development through training and supporting our people to genuinely care about the clients and colleagues they work with and the communities they live in. We are committed to involving all employees in the performance and development of the Company. Employees are sent frequent updates on corporate activities, a review of the Group's financial position half yearly, monthly team updates and newsletters. The Company maintains a strong communications network and employees and associates are encouraged to discuss with management matters of interest and subjects affecting day to day operations of the Company. Employees are regularly asked for feedback on their level of engagement, via an independent survey. Actions

are taken at all levels of the Company where issues are identified to ensure employees and associates are fully engaged with the development of the business, which is further facilitated through our company intranet, leadership visits and conferences. Penna has a Consultation Forum, which consists of elected representatives from across the business, to harness more effectively the input from employees and associates on business issues.

Penna aims to build a community where everyone feels welcome, valued and respected. We are committed to ensuring equal opportunities, valuing diversity and sustaining an inclusive environment in everything we do.

Penna is committed to providing an environment for all people working or visiting its offices which is safe, healthy and complies with all statutory requirements and codes of practice under the terms of the Health and Safety at Work Act 1974 and other relevant legislation.

Penna recognises that for some people the opportunity to work flexibly would improve their ability to continue to contribute their valuable skills. Penna wants to encourage a better work-life balance and supports flexible working for our people as the world of work changes and more and more people have to balance responsibilities at home and in the workplace.

## Corporate Social Responsibility

Penna has a low adverse impact on the environment. In spite of this we recognise the need to minimise this impact wherever possible and we have implemented a number of initiatives to achieve this aim including recycling paper, mobile phones, toner cartridges, IT equipment and furniture as well as an awareness campaign around saving energy. In addition to this we actively seek to work with suppliers that take measures to minimise their impact on the environment.

A core element of our policy is a commitment to supporting a cause closely aligned to our business, the development of talent. We support Career Academies UK by providing mentors to students aged between 16-19 years old, often from socially disadvantaged backgrounds. This initiative brings together the worlds of business and education to powerful effect; broadening the choices students have about their future education and career pathways.

In recognition and support of the efforts individuals make with regard to fundraising we support employees both in terms of fundraising and time allowing them to partake in activities within the local community.

The Group made charitable donations of £5,561 (2008: £4,068) during the year under review. No political donations were made (2008: Nil).


## Creditors' Payment Policy

It is the Group's payment policy to obtain the best possible terms for all its businesses and consequently there is no single policy as to the terms used. In general, the Group agrees with its suppliers the terms on which business will take place and it is the Group's policy to abide by these terms. The number of days billing outstanding from associates and other suppliers at the end of the financial year for the Group was 20 days (2008: 24 days). The Company had no such creditors (2008: £nil).

## Auditors

A resolution to re-appoint BDO Stoy Hayward LLP as the Group's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board



David S P Firth  
Secretary  
14 August 2009

**Registered Office**  
20 St Mary at Hill,  
London EC3R 8EE

# Corporate governance statement

## Corporate governance statement

Although not compulsory for AIM regulated companies, the Group is committed to the principles of corporate governance contained in the revised Combined Code on Corporate Governance which was published in June 2006 by the Financial Reporting Council. The Board is accountable to the Company's shareholders for corporate governance and confirms that there is a process in place for identifying, evaluating and managing the significant risks to the achievement of the Group's strategic objectives on an ongoing basis. The process has been in place throughout the year. This statement describes how the relevant principles of corporate governance are applied to the Company and the Company's compliance throughout the year with the provisions set out in Section 1 of the revised Combined Code.

We have a policy of dividing responsibilities for the Board and running the Company's business by appointing a Chairman, a Senior Independent Director and a Chief Executive. The Chief Executive and the Finance Director form part of an operations board which is responsible for running the operations of the Company.

## The Workings of the Board and its Committees

The Board of Directors meets regularly during the year, and also has telephone conferences as considered necessary. The Non-Executive Directors may meet without the Executive Directors being present if required.

The Board has a balance of skills and experience appropriate to its size and business. It is made up of two Executive Directors, Gary Browning and David Firth, and currently four Non-Executive Directors of whom three (Sir James Harvie-Watt, David Banks and Richard Stillwell) are deemed by the Company to be independent of management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement. Their overriding duty is to ensure the operations conducted by the Company and the procedures followed reflect the best interests of the Company's shareholders. The biographies of the Board of Directors appear on page 4. In the event that there is a need to express concerns to the Board other than through the Chairman, the Board has appointed Richard Stillwell as the Senior Independent Director to whom such concerns can be conveyed.

The Board has sought to ensure that Directors are properly briefed on issues arising at Board meetings by: distributing a formal schedule of matters assigned to each Board meeting which is circulated at the beginning of each year; a more detailed agenda together with the Board papers is circulated at least seven days before each Board meeting; considering the adequacy of the information provided before making decisions; adjourning meetings or deferring decisions when Directors require further information; encouraging Directors to talk to any other key executives or seek further information in order to keep them as informed as they deem appropriate; having key executives attend Board meetings to share information and encourage debate with Board members.

All Directors have access to the advice and services of the Company Secretary and the Board has established a procedure whereby any Director may seek independent professional advice in the furtherance of his duties at the Company's expense.

The Board has delegated specific authorities to an Audit Committee and a Remuneration Committee.

## Audit Committee

The Audit Committee operates under written terms of reference which are available from the Company Secretary on request. The Committee is chaired by Sir James Harvie-Watt and is composed of Sir James and Richard Stillwell. The Chief Executive and the Finance Director attend as requested by the Committee.

The Committee normally meets before the Company's interim and annual accounts are submitted to the Board for approval. The Committee meets annually without management with the Company's auditors to ensure any concerns the auditors may have are fully expressed. The Committee also recommends the appointment and reviews the fees of external auditors, including non-audit related fees, and considers the independence of the external auditors.

## Remuneration Committee

The Remuneration Committee operates under written terms of reference. The Committee is composed of the Non-Executive Directors, as shown on page 4, who are deemed by the Board to be independent of management and is chaired by Richard Stillwell and meets periodically to approve the remuneration for the Executive Directors and to discuss the remuneration of senior employees. The Committee sets general policies on behalf of the Board in connection with salaries, bonuses, options and employee benefits. The Remuneration Report is on pages 8 to 10.

## Nominations Committee

It is deemed appropriate for all members of the Board to participate in the recruitment of members of the Board. There is a formal, rigorous and transparent procedure for appointing new directors to the Board. A personality, skills and experience specification is drawn up in the context of the skills and experience which are deemed to be needed in a new Board Director, against which a shortlist of candidates is matched, and full competency based interviews take place before all Board members interview candidates. All new Board members undertake a three-day familiarisation process. This involves visits to several Penna locations and meeting a number of Penna people in order to get as full an understanding of the business and the issues it faces as possible. The terms and conditions of appointment of non-executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM.

## Attendance at meetings

The number of meetings of the Board and Committees and individual attendance by the members are as follows:

	Main Board	Audit Committee	Remuneration Committee
Number of meetings held	7	2	2
Stephen Rowlinson	7	2	2
Gary Browning	7	2	2
David Firth	7	2	2
Sir James Harvie-Watt, Bt	7	2	2
Richard Stillwell	7	2	2
David Banks	4	-	1

# Corporate governance statement continued

## Maintenance of a sound system of Internal Control

In applying Principle D.2 of the Combined Code, the Board should maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets. The Directors recognise that they have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. However, there are inherent limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance against material mis-statement or loss.

For the full year the Board has complied with the procedures recommended by the guidance on internal control issued by the Turnbull Committee.

The processes used by the Board to review the effectiveness of the system of internal control include:

- Monthly meetings of the operations board which are subsequently reported to the Board
- Discussions with management on risk areas identified by management and/or the audit process
- Discussions and review of the issues arising from external audits
- The review of significant Group risks.

The Audit Committee reports to the Board the results of their review of the risk assessment process. The Board concludes on the overall effectiveness of all internal controls.

The key features of the internal financial control system that operated throughout the period are described below:

- Comprehensive planning system, annually approved by the Board
- The reporting of business performance by Operations Directors
- Monthly financial reporting comparing actual performance against plan and against the prior year's results on a monthly and year-to-date basis
- Regular consideration by the Board of actual performance against budgets and business plans
- Ongoing discussions with the head of each discipline within the organisation
- A review of the financial controls across the Group
- Regular reporting of legal and accounting developments to the Board
- The definition of lines of responsibility and delegation of authority
- The setting of authorisation limits.

The Board carefully reviews the business plans and budgets. Material capital expenditure and other large commitments in excess of approved plans are subject to approval by the Board.

Given the Group's size and the nature of the Group's business, the Board does not consider that it would be appropriate to have its own internal audit function at present. Instead, the audit of internal financial controls form part of the responsibilities of the central group finance function.

## Relations with Shareholders

Communications with shareholders are given high priority. The Chairman's review on pages 2 and 3 includes a detailed review of the business. There is regular dialogue with institutional shareholders including presentations after the Company's preliminary announcement of the year-end results and at the half year. Feedback from investors is encouraged and is shared with all Board members. Information about Group companies and up to date news on the Group's services and activities is also accessible via the Penna Consulting website ([www.penna.com](http://www.penna.com)).

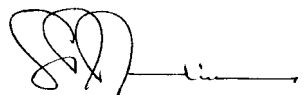
The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. The Board aims to ensure that all the Non-Executive Directors are available at Annual General Meetings to answer questions. Details of resolutions to be proposed at the Annual General Meeting on 24 September 2009 can be found in the Notice of Annual General Meeting.

## Compliance Statement

The Directors believe that the Company has complied with the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 throughout the year except as detailed below.

During the year the Board did not conduct any formal evaluations of its performance or of individual directors.

Certain Board members have served as a Director of the Company for longer than nine years. The Board is of the view that their continued involvement as Directors remains beneficial to the Company and its shareholders.



Stephen Rowlinson  
Chairman  
14 August 2009

# Directors' remuneration report

## Introduction

This report has been prepared with reference to the Directors' Remuneration Regulations 2002 which introduced statutory requirements for the disclosure of Directors' remuneration. The report describes how the Board has applied the principles of good governance relating to Directors' remuneration. The Company is AIM regulated and as such these disclosures are not required under AIM. The disclosures do not include a graph of shareholder return.

A resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

## Remuneration Committee

The Remuneration Committee is composed of three of the Non-Executive Directors, Richard Stillwell (Chairman), David Banks and Sir James Harvie-Watt, Bt.

The purpose of the Committee is to consider all aspects of Executive Directors' remuneration and to determine the specific remuneration packages of the Executive Directors, including bonus schemes, pensions contributions and other benefits ensuring that the remuneration packages are competitive within the human capital management consultancy industry and reflect both Group and personal performance during the year, as well as considering the broader level of remuneration within the Group itself. The Committee meets when required, to consider all aspects of Executive Directors' remuneration. Independent external data on benchmarking Executive Directors' salaries was obtained from published surveys. The Remuneration Committee has also reviewed compensation levels in similar entities quoted in the UK. Independent external advice is taken when appropriate.

## Statement of remuneration policy for Executive Directors

The Group's current policy on Executive Director remuneration for the foreseeable future is as follows:

### Salary

The basic salary of each Director is determined by the Remuneration Committee, taking into account the performance of the individual and information from independent sources on the rates of salary for similar jobs in comparable companies.

### Annual bonus

Each of the Executive Directors is entitled to participate in an annual executive bonus plan. Under the bonus plan there will be an entitlement to a bonus payment if objectives agreed by the Remuneration Committee at the start of each new financial year are met. The maximum performance-related bonus that can be paid is 100% of total fixed remuneration.

### Pensions and other benefits

In addition to the basic remuneration payable under the service agreements, the Executive Directors are entitled to a range of other benefits, including permanent health insurance, death in service benefits, private medical insurance and car allowance. All benefits are subject to annual review. The Executive Directors do not have a contractual right to pension contributions from the Company.

## Share options

Executive Directors and senior employees are incentivised by the grant of share options under an Executive Share Option Scheme on a phased basis. Awards for Executive Directors are administered by the Remuneration Committee. Policy for awards to senior employees is set by the Board. The scheme is open to employees and Executive Directors of the Company and its subsidiaries. Subject to any performance condition being met, executive options become exercisable on the third anniversary of the date of grant and lapse if they remain unexercised at the tenth. There is no retesting of performance once the performance condition has been achieved.

Share options granted under the current Executive Option scheme are subject to the performance condition that the option may not be exercised unless the diluted earnings per share of the Group has increased by at least an average of RPI +5% over three consecutive years. This performance criteria was selected as it represents the need for the Company to demonstrate reasonable growth over the medium term. Under the rules of the current option scheme it is now closed for grants.

On the 5 July 2007, the Board approved The Penna Consulting Plc Long Term Incentive Scheme 2007 ("LTIP"), to replace the closed Executive Option scheme.

This scheme may allocate up to five million options over the Company's ordinary shares to current and future senior management of the Company. The options will vest over the five year period ending March 2012 subject to the achievement of annual financial targets calculated as EBITDA per share or at the discretion of the Remuneration Committee.

The proportion that will vest each year will be calculated on a straight line pro-rata basis between 0% if the minimum EBITDA target is not achieved up to 20% of the total options granted if the maximum EBITDA target for that year is achieved. Options that do not vest in a particular year will lapse.

For the maximum number of options to vest the Company will need to achieve 30% per annum EBITDA growth over the four years from 31 March 2008.

A savings-related share option scheme is in place and is open to all employees based in the UK, including Executive Directors.

Details of the potential dilution from outstanding share options are shown in note 30.

# Directors' remuneration report continued

## Contracts of service

Gary Browning and David Firth have separate Service Agreements with the Company. Each contract requires the giving and receiving of one year's notice by either party and contains non-compete and non-solicitation clauses which are binding for up to 12 months after departure. There is also a change of control provision which, subject to conditions, provides for the Company to pay compensation equal to 12 months' total remuneration including, where appropriate, an amount in lieu of bonus.

## Non-Executive Directors

The remuneration of the Non-Executive Directors is determined by the Board as a whole, based on outside advice and review of current practices in other companies. Their contracts can be terminated at the will of either party.

## Directors' share options

The Company's policy on the issue of options is for them to be allotted normally at market price and solely at the discretion of the Remuneration Committee. The following options were outstanding at 1 April 2008 and 31 March 2009:

	Exercise Price	1 April 2008	31 March 2009	Exercisable From	Expiry Date
Gary Browning	125.0p	20,000	20,000	02.08.06	02.08.13
	133.0p	30,000	30,000	14.08.07	14.08.14
	115.5p	95,000	95,000	19.07.08	19.07.15
	100.0p	800,000	800,000	18.07.10	18.07.17
David Firth	91.0p	10,000	10,000	20.12.05	20.12.12
	136.5p	20,000	20,000	15.08.06	15.08.13
	133.0p	10,000	10,000	14.08.07	14.08.14
	115.5p	105,000	105,000	19.07.08	19.07.15
	100.0p	500,000	500,000	18.07.10	18.07.17

All options are subject to performance criteria as described on page 8.

The mid-market share price at 31 March 2009 was 183p. The highest and lowest prices during the year were 191.5p and 88.5p respectively.

In addition to the options shown above Gary Browning and David Firth participate in the Company's Sharesave Scheme, which is open to all UK employees. This involves a three year savings contract which when completed will entitle the participant to purchase ordinary shares in the Company at a price fixed at the start of the contract.

Details of the individual entitlements under the Sharesave Scheme are as follows:

	Start Date of Savings Contract	Exercise Price	Total Maximum No. of Shares	Total Savings at 31 March 2009
David Firth	01.02.06	84p	8,993	£7,555
	01.01.08	100p	1,843	£672
	01.02.09	118p	6,573	£404
Gary Browning	01.02.06	84p	11,130	£9,349
	01.02.09	118p	8,135	£500

# Directors' remuneration report continued

## Directors' emoluments

	Basic Salary £'000	Fees £'000	Benefits £'000	Bonus £'000	Total Excluding Pension Contributions	
					2009 £'000	2008 £'000
Stephen Rowlinson	-	25	-	-	25	22
Gary Browning	202	-	5	201	408	195
David Firth	177	-	5	81	263	168
David Banks	-	15	-	-	15	15
Sir James Harvie- Watt, Bt	-	15	-	-	15	15
Richard Stillwell	-	15	-	-	15	15
<b>Total: 2009</b>	<b>379</b>	<b>70</b>	<b>10</b>	<b>282</b>	<b>741</b>	-
<b>Total: 2008</b>	<b>355</b>	<b>67</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>430</b>

David Firth had a company contribution of £12,000 (2008: £21,474) paid into a personal pension plan. Gary Browning had a company contribution of £12,000 (2008: £20,000) paid into a personal pension plan. None of the other Directors had any pension contribution.

The share based payment charge in relation to Directors share options was £44,288 (2008: £39,918). No gains have been made on exercising share options this year and in the previous year. The total key management personnel compensation is £809,000 (2008: £511,000). This includes short term employee benefits in the table above, pension contribution and share based payment charges.

## Directors' interests

The interests of the Directors in the ordinary shares of the Company at 31 March 2009 were as follows:

	Number of Shares	
	2009 000's	2008 000's
Stephen Rowlinson	8,193	8,613
David Banks	749	720
Sir James Harvie-Watt, Bt	91	91
Gary Browning	23	13
David Firth	6	6
Richard Stillwell	13	3

On 9 July 2009, Gary Browning and David Firth exercised options over 11,130 and 8,993 shares respectively at an exercise price of 84 pence each.

On 21 July 2009, Stephen Rowlinson sold 500,000 shares in the Company at 210 pence each.

There have been no other changes in the Directors' interests in the ordinary share capital between the year-end and 14 August 2009.

## Approval

This report was approved by the Board of Directors and signed on its behalf by:



Richard Stillwell  
14 August 2009

# Consolidated income statement

for the year ended 31 March 2009

	Note	Year Ended 31 March 2009 £'000	Year Ended 31 March 2008* £'000
<b>Revenue</b>		<b>63,162</b>	48,535
Operating expenses		<b>(57,276)</b>	(46,328)
<b>Operating profit</b>		<b>5,886</b>	2,207
Finance income	6	<b>141</b>	15
Finance costs	6	<b>(24)</b>	(47)
<b>Profit before tax</b>		<b>6,003</b>	2,175
Tax expense	17	<b>(1,497)</b>	(654)
<b>Profit from continuing operations</b>		<b>4,506</b>	1,521
<b>Post tax loss on discontinued operations</b>	9	<b>(788)</b>	(143)
<b>Profit for the year attributable to equity holders of the parent company</b>	7	<b>3,718</b>	1,378
Earnings per share:			
- basic		<b>14.8p</b>	5.5p
- diluted		<b>14.2p</b>	5.5p
Earnings per share (continuing operations):			
- basic		<b>17.9p</b>	6.0p
- diluted		<b>17.1p</b>	6.0p

\* The comparative figures have been restated for discontinued operations (see note 9).

The notes on pages 15 to 32 form part of these financial statements.

# Consolidated statement of changes in equity

for the year ended 31 March 2009

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Employee Share Option Plan reserve £'000	Foreign currency translation £'000	Retained loss £'000	Total equity £'000
<b>At 1 April 2007</b>	1,264	15,109	10,170	(397)	66	(8,263)	17,949
Currency translation differences	-	-	-	-	(63)	-	(63)
<b>Net (expense) recognised directly in equity</b>	-	-	-	-	(63)	-	(63)
Profit for the year	-	-	-	-	-	1,378	1,378
<b>Total recognised income/ (expense) for the year</b>	-	-	-	-	(63)	<b>1,378</b>	<b>1,315</b>
Share option credit	-	-	-	-	-	67	67
<b>At 1 April 2008</b>	1,264	15,109	10,170	(397)	3	(6,818)	19,331
Currency translation differences	-	-	-	-	(129)	-	(129)
<b>Net income/(expense) recognised directly in equity</b>	-	-	-	-	(129)	-	(129)
Profit for the year	-	-	-	-	-	3,718	3,718
<b>Total recognised income and expense for the year</b>	-	-	-	-	(129)	3,718	3,589
Share issue	6	100	-	-	-	-	106
Equity dividend paid	-	-	-	-	-	(1,007)	(1,007)
Share option credit	-	-	-	-	-	130	130
<b>At 31 March 2009</b>	<b>1,270</b>	<b>15,209</b>	<b>10,170</b>	<b>(397)</b>	<b>(126)</b>	<b>(3,977)</b>	<b>22,149</b>

The notes on pages 15 to 32 form part of these financial statements.


# Consolidated balance sheet

as at 31 March 2009

	Note	31 March 2009 £'000	31 March 2008 £'000
<b>Non-current assets</b>			
Goodwill	10	14,036	14,036
Property, plant and equipment	11	1,823	1,850
Other intangible assets	12	24	32
Deferred tax	16	75	24
		<b>15,958</b>	15,942
<b>Current assets</b>			
Trade receivables	14	12,672	11,271
Other current assets	15	2,419	1,788
Cash and cash equivalents	28	8,875	2,961
		<b>23,966</b>	16,020
<b>Total assets</b>		<b>39,924</b>	31,962
<b>Current liabilities</b>			
Trade payables	19	2,520	2,368
Loan notes	20	41	111
Obligations under finance leases	21	-	88
Short-term provisions	22	78	153
Corporation tax		838	154
Other payables and accruals	23	13,840	9,406
		<b>17,317</b>	12,280
<b>Non-current liabilities</b>			
Long-term provisions	22	458	351
		<b>458</b>	351
<b>Total liabilities</b>		<b>17,775</b>	12,631
<b>Net assets</b>		<b>22,149</b>	19,331
<b>Capital and reserves</b>			
Called up share capital	24	1,270	1,264
Share premium account	25	15,209	15,109
Merger reserve	26	10,170	10,170
Employee Share Option Plan reserve	26	(397)	(397)
Foreign currency translation reserve	26	(126)	3
Retained loss	26	(3,977)	(6,818)
<b>Total equity</b>		<b>22,149</b>	19,331

The notes on pages 15 to 32 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 14 August 2009. They were signed on its behalf by:



David SP Firth, Finance Director

The accompanying notes are an integral part of this Balance Sheet.

# Consolidated cash flow statement

for the year ended 31 March 2009

	Note	Year Ended 31 March 2009 £'000	Year Ended 31 March 2008 £'000
<b>Profit for the year</b>		<b>3,718</b>	1,378
Adjustments for:			
Loss on disposal of discounted operations		<b>788</b>	143
Income tax expenses		<b>1,497</b>	654
Finance income		<b>(141)</b>	(15)
Finance expenses		<b>24</b>	47
Depreciation and amortisation		<b>495</b>	532
Share option expense		<b>130</b>	67
<b>Changes in working capital:</b>			
(Increase) in trade and other receivables		<b>(2,032)</b>	(1,187)
Increase in trade and other payables		<b>3,404</b>	956
Increase/(Decrease) in provisions		<b>32</b>	(78)
<b>Cash generated by operations</b>		<b>7,915</b>	2,497
<b>Cash flows from operating activities</b>			
Tax paid		<b>(605)</b>	(393)
Interest paid		<b>(19)</b>	(32)
Interest received		<b>141</b>	15
<b>Net cash generated by operating activities</b>		<b>7,432</b>	2,087
<b>Cash flows used in investing activities</b>			
Net purchase of property, plant and equipment		<b>(437)</b>	(396)
Net purchase of intangible fixed assets		<b>(17)</b>	(19)
<b>Net cash used in investing activities</b>		<b>(454)</b>	(415)
<b>Cash flows used in financing activities</b>			
Interest paid - finance leases		<b>(5)</b>	(15)
Repayment of finance leases		<b>(88)</b>	(94)
Repayment of loan notes		<b>(70)</b>	(320)
Issue of ordinary share capital		<b>106</b>	-
Bank loan repaid		<b>-</b>	(1,500)
Dividends paid		<b>(1,007)</b>	-
<b>Net cash used in financing activities</b>		<b>(1,064)</b>	(1,929)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,914</b>	(257)
<b>Cash and cash equivalents at start of period</b>		<b>2,961</b>	3,218
<b>Cash and cash equivalents at end of period</b>	28	<b>8,875</b>	2,961

The notes on pages 15 to 32 form part of these financial statements.

# Notes to the financial statements

for the year ended 31 March 2009

## 1. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

### Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union (IFRS). The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments. The principal accounting policies adopted are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the accounts of Penna Consulting Plc and all its subsidiaries made up to 31 March 2009. Acquisitions are included from the date of acquisition; this is deemed to be the date when control passes to the Group. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The Group has a partnership in Ireland which includes 50% of S&S O'Shea results.

### Standard amendments and interpretation to published standards not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009). This introduces new disclosures requiring an increase in information provided on each of the entities reporting segments.

Amendments to IFRS 2, Share-based payments; vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009). The amendment deals with two matters. It clarifies that vesting conditions are service and performance conditions only. Other features of a share based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same treatment. Applying the treatment would not have a material impact on the Group 2009 results. The Group will apply amendment from 1 January 2009.

Revised IFRS 3, Business Combinations and Complementary Amendments to IAS 27, 'Consolidated and Separate Financial Statements' (both effective for accounting periods beginning on or after 1 July 2009). This revised standard and amendments to it are still to be endorsed by the EU. The amendment deals with partial acquisitions, step acquisitions, acquisition costs, contingent consideration and transactions with non controlling interests. The Group had no relevant transactions during the year ended 31 March 2009.

Revised IAS 1, Presentation of Financial Statements - A Revised Approach (effective for accounting periods beginning on or after 1 January 2009). This is purely presentational and has no impact on the Group's results.

Amendments to IFRS 1 and IAS 27, Cost of an Investment in a subsidiary, jointly-controlled entity or associate (effective for accounting periods beginning on or after 1 January 2009). We do not expect this to have a material impact on the accounts.

Amendments to IFRS 7, Improving Disclosures about Financial Instruments (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU. This is purely presentational and has no impact on the Group's results.

Amendments to IAS 39 and IFRS 7 reclassification of financial instruments issued on 27 November 2008. This is purely presentational and has no impact on the Group's results.

There are other standard amendments and interpretations of published standards, which are not yet effective and not expected to be relevant to the group.

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities, and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is 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.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

# Notes to the financial statements continued

for the year ended 31 March 2009

## Other intangible assets

Other intangible assets consist of computer software that is not an integral part of a related item of computer hardware. Capitalised internal-use software costs include external direct costs of materials and services consumed in developing or obtaining the software. These costs are amortised over their expected useful life of three years on a straight-line basis, with the lives reviewed annually. The amortisation charge is included in operating costs.

## Revenue recognition

Revenue, which excludes value added tax ("VAT"), constitutes the value of services undertaken by the Group as its principal activities, which are human resources consultancy and other ancillary services. These consist of:

Revenue for Career Transition is recognised as the service is delivered.

Revenue from permanent placements is based on a percentage of the candidate's remuneration package and also retained assignment (income recognised on completion of defined stages of work). Revenue from interim placements, which represents amounts billed for the services of interim managers including the company's profit margin. This is recognised when the service has been provided. Revenue from the placement of advertising on behalf of clients is recognised when the advertisement is placed.

Revenue from fee income from retained assignments is recognised on completion of defined stages of work. Revenue in respect of project based assignments is recognised when the service is provided.

## Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

## Leased assets

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 the 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 charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

## Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statement of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

# Notes to the financial statements continued

for the year ended 31 March 2009

## Operating profit

Operating profit is stated before finance costs.

## Dividends

Dividends are recognised when they become legally payable. In the case of Interim dividends to equity shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

## 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 net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

## Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

## Property, plant and equipment

Property, plant and equipment are recorded in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. Under UK GAAP, certain assets were revalued in 2005 and the depreciated revalued amount has been treated as deemed cost on transition to IFRS.

Depreciation is charged so as to write off the cost or valuation of all fixed assets over their expected useful lives. It is calculated on the following bases:

Leasehold premises and improvements	- The lesser of the remaining life of the lease or 10 years
Furniture, equipment and motor vehicles	- 20-25% straight-line
Computer equipment	- 20-33 $\frac{1}{3}$ % straight-line

Where assets are financed by leasing agreements and substantially all the risks and rewards of ownership are substantially transferred to the Group ("finance leases") the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on assets held under finance leases is charged to the income statement on the same basis as owned assets.

## Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and they are tested for impairment annually and whenever there is an indication that the asset may be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The impairment loss recognised is the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of impairment testing, goodwill is allocated solely to the UK trading entity, Penna Plc. If the recoverable amount of the entity is less than the carrying amount of the entity, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the entity and then to the other assets of the entity pro-rata on the basis of the carrying amount of each asset in the entity. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

# Notes to the financial statements continued

for the year ended 31 March 2009

## Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

### Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the balance sheet.

## Financial liabilities

The Group classifies its financial liabilities as noted below.

Financial liabilities include the following items:

Loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

## Share capital

The Group's ordinary shares are classified as equity instruments.

## Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

## Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The Group also provides employees with the ability to purchase the Group's ordinary shares at 80% of the current market value under a Savings Related Share Option scheme. The Group records an expense, based on its estimate of up to 20% discount related to shares expected to vest on a straight-line basis over the vesting period.

# Notes to the financial statements continued

for the year ended 31 March 2009

## 2. Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are regularly reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Deferred income and related delivery cost accrual relating to career transition is arrived at according to management's judgement of the proportion of services still to be delivered at the year end. The deferred income balance relating to career transition at the year end is £4,519,000 (2008: £2,538,000).

b) Impairment of goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in the note 10.

c) Property, plant and equipment and intangible assets, including goodwill

The Group has property, plant and equipment with a carrying value £1,823,000 (note 11), intangible assets have a carrying value of £24,000 (note 12) and goodwill has a carrying value of £14,036,000 (note 10). These assets are reviewed annually for impairment. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal, and a suitable discount rate to calculate present value. Actual outcomes could vary from such estimates of discounted future cash flows. Factors such as changes in the planned use of equipment, closure of offices or lower than anticipated sales could result in shortened useful lives or impairment.

## 3. Business and geographical segments

### Business segments

The Group operates as one business segment with the principal activity being the provision of Human Capital management consultancy.

### Geographical segments

The Group's operations are predominantly located in the United Kingdom, and do not have separately identified reportable geographic segments. Sales have been derived principally from the UK, and a majority of assets are located in the UK.

## 4. Operating profit

	Year Ended 31 March 2009 £'000	Year Ended 31 March 2008 £'000
Operating profit has been arrived at after charging:		
Operating lease expenses	3,642	4,514
Sublease rental income	(574)	(574)
Share based payment remuneration	130	67
Foreign exchange difference	(1)	20
Depreciation of property, plant and equipment	470	495
Amortisation of other intangible assets - software	25	37
Staff costs (see note 5)	17,001	14,258
Auditors' remuneration for Group audit services	69	68
Included within the above:		
Fees payable to the company's auditor for the audit of the company's annual accounts	28	26
Fees payable to the company's auditor for other services:		
The audit of the company's subsidiaries pursuant to legislation	40	30
Other taxation services	-	7

# Notes to the financial statements continued

for the year ended 31 March 2009

## 5. Staff costs

The average monthly number of employees (including Executive Directors) was:

	Year Ended 31 March 2009 Number	Year Ended 31 March 2008 Number
Total employees	249	224
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	15,107	12,708
Social Security costs	1,506	1,235
Pension costs	258	248
Share based payments expenses	130	67
	17,001	14,258

Details of the Directors' remuneration are given in the Directors' emoluments table on page 10.

## 6. Finance costs

	Year Ended 31 March 2009 £'000	Year Ended 31 March 2008 £'000
Finance expense:		
on loan notes	(3)	(7)
on bank overdraft	(16)	(25)
on finance leases	(5)	(15)
	(24)	(47)
Finance income:		
Bank interest	141	15

## 7. Earnings per share

The calculation of basic and diluted earnings per share are based on the following amounts:

	Year Ended 31 March 2009 £'000	Year Ended 31 March 2008 £'000
<b>Earnings</b>		
Profit for the year	3,718	1,378
Profit after tax (continuing activities)	4,506	1,521
<b>Number of shares</b>		
Weighted average number of shares	25,184,491	25,173,348
Dilution effect of share option schemes	1,093,230	14,495
Diluted weighted average number of shares	26,277,721	25,187,843
Earnings per share:		
- basic	14.8p	5.5p
- diluted	14.2p	5.5p
Earnings per share (continuing activities):		
- basic	17.9p	6.0p
- diluted	17.1p	6.0p

The number of potentially issuable shares that have not been brought into the dilutive calculation because they are anti-dilutive is 4,736,837 (2008: 4,181,571).

# Notes to the financial statements continued

for the year ended 31 March 2009

## 8. Dividends

A final dividend of 4 pence per ordinary share is proposed (2008: 2 pence) and if approved by Shareholders will be paid on 27 October 2009 to shareholders on the register on 18 September 2009. An interim dividend of 2 pence per ordinary share (2008: nil pence) was paid on 4 March 2009 making a total dividend for the year ended 31 March 2009 of 6 pence per share (2008: 2 pence).

## 9. Result of discontinued operations

	Year Ended 31 March 2009 £'000	Year Ended 31 March 2008 £'000
<b>Revenue</b>	<b>171</b>	532
Expenses other than finance costs - trading	(628)	(736)
- closure costs	(637)	-
<b>Pre tax loss on disposal of discontinued operations</b>	<b>(1,094)</b>	(204)
<b>Tax credit</b>	<b>306</b>	61
<b>Post tax loss on disposal of discontinued operations</b>	<b>(788)</b>	(143)
<b>Basic loss per share</b>	<b>(3.1p)</b>	(0.8p)
<b>Diluted loss per share</b>	<b>(3.0p)</b>	(0.8p)
<b>The cash flow impact relating to discontinued operations:</b>		
<b>Operating activities</b>	<b>(351)</b>	(94)
<b>Net cash used in discontinued operations</b>	<b>(351)</b>	(94)

There have been no investing and financing activities in 2009 and 2008.

Discontinued operations relate to the closure of a branch office in Paris during the year to 31 March 2009.

## 10. Goodwill

	Total £'000
<b>Cost</b>	
<b>At 1 April 2007, 31 March 2008 and 31 March 2009</b>	<b>29,688</b>
<b>Accumulated impairment charges</b>	
<b>At 1 April 2007 and 31 March 2009</b>	<b>15,652</b>
<b>Carrying amount</b>	
<b>At 1 April 2007, 31 March 2008 and 31 March 2009</b>	<b>14,036</b>

During the year the acquired goodwill was tested for impairment in accordance with IAS 36.

The impairment calculation is based on value in use.

The carrying value is attributed to one cash generating unit, namely the UK trading entity Penna Plc. The recoverable amount of goodwill is calculated based on its discounted cash flow. The key assumptions for the value in use calculations are future projections based on the approved plan for 2009/10; growth of 8% in net revenues in the next five years (net revenue is turnover less pass through costs) and return on sales to be a constant of 13% (2008: 8%) over the next five years (return on sales is defined as the expected profit before tax on net revenue). The assumed growth rate after five years is 2.5%.

Management does not currently foresee any change in the key assumptions it has employed when determining the value in use calculations. The rate used to discount the forecast cash flows is 6.7% (2008: 7.25%). The return on sales would have to fall below 4.3% for goodwill impairment. The model is not sensitive to the discount rate and growth rate.

# Notes to the financial statements continued

for the year ended 31 March 2009

## 11. Property, plant and equipment

	Leasehold premises and improvements £'000	Computer equipment £'000	Furniture equipment & motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 April 2007	2,612	2,118	719	5,449
Additions	68	237	91	396
At 31 March 2008	2,680	2,355	810	5,845
Additions	136	192	109	437
<b>At 31 March 2009</b>	<b>2,816</b>	<b>2,547</b>	<b>919</b>	<b>6,282</b>
<b>Accumulated Depreciation</b>				
At 1 April 2007	1,110	1,910	457	3,477
Charge for Year	250	163	82	495
Foreign exchange	4	2	17	23
At 31 March 2008	1,364	2,075	556	3,995
Charge for Year	231	150	89	470
Foreign exchange	5	37	(48)	(6)
<b>At 31 March 2009</b>	<b>1,600</b>	<b>2,262</b>	<b>597</b>	<b>4,459</b>
<b>Carrying Amount</b>				
<b>At 31 March 2009</b>	<b>1,216</b>	<b>285</b>	<b>322</b>	<b>1,823</b>
At 31 March 2008	1,316	280	254	1,850
At 31 March 2007	1,502	208	262	1,972

# Notes to the financial statements continued

for the year ended 31 March 2009

## 12. Other intangible assets

	Software and development £'000
<b>Cost</b>	
At 1 April 2007	138
Additions	19
At 31 March 2008	157
Additions	17
<b>At 31 March 2009</b>	<b>174</b>
<b>Accumulated Amortisation</b>	
At 1 April 2007	88
Charge for Year	37
At 31 March 2008	125
Charge for Year	25
<b>At 31 March 2009</b>	<b>150</b>
<b>Carrying Amount</b>	
<b>At 31 March 2009</b>	<b>24</b>
At 31 March 2008	32
At 31 March 2007	50

## 13. Investments

### Principal investments

The parent Company and the Group have investments in the following undertakings.

Subsidiary Undertakings	Country of Incorporation	Principal Activity	% Holding
Penna Plc	England and Wales	Human Capital Management	100
Penna Management Services Plc*	England and Wales	Holding Company	100
Penna International Limited*	England and Wales	Holding Company	100
Penna Consulting (NI) Limited	Northern Ireland	Human Capital Management	100
Penna Human Capital Management AB	Sweden	Human Capital Management	100
Target Holdings AS	Norway	Holding Company	100
Penna Consulting Germany GmbH	Germany	Human Capital Management	100

The percentage holding is for 2009 and 2008.

\* Held directly by Penna Consulting Plc

# Notes to the financial statements continued

for the year ended 31 March 2009

## 14. Trade and other receivables

	<b>31 March 2009</b>	31 March 2008
	<b>£'000</b>	£'000
Trade receivables	<b>12,748</b>	11,290
Less provisions for impairment of trade receivables	<b>(76)</b>	(19)
Trade receivables - net	<b>12,672</b>	11,271
Other debtors	<b>1,207</b>	919
Accrued income	<b>101</b>	102
Total financial assets other than cash and cash equivalent classified as loans and receivables	<b>13,980</b>	12,292
Cash and cash equivalent	<b>8,875</b>	2,961
Total financial assets classified as loans and receivables	<b>22,865</b>	15,253

The purchase consideration for certain acquisitions included the issue of loan notes. The balance of unredeemed loan notes at 31 March 2009 amounted to £41,000 (2008: £111,000). Cash has been transferred into a restricted deposit account to guarantee the payment of these loan notes. This is included within cash and cash equivalents for the Company and Group.

### Bad debt provision

	<b>31 March 2009</b>	31 March 2008
	<b>£'000</b>	£'000
Opening bad debts provision	<b>19</b>	129
Provision increase (write off)	<b>57</b>	(110)
Closing bad debts provision	<b>76</b>	19

As at 31 March 2009 trade receivables of £3,666,000 (2008: £5,076,000) were past due but not provided. They relate to the customers with no default history and therefore no provision made. The ageing analysis of these receivables is as follows:

	<b>31 March 2009</b>	31 March 2008
	<b>£'000</b>	£'000
Up to 3 months	<b>3,547</b>	4,711
3 to 6 months	<b>80</b>	167
More than 6 months	<b>39</b>	198
	<b>3,666</b>	5,076

The carrying values of the Group's total financial assets other than cash and cash equivalents are denominated in the following currencies:

	<b>31 March 2009</b>	31 March 2008
	<b>£'000</b>	£'000
Pound sterling	<b>13,539</b>	11,340
Euro	<b>331</b>	838
Swedish krona	<b>110</b>	144
	<b>13,980</b>	12,292

The average credit period taken on rendering of services is 59 days (2008: 70 days). No interest is charged on the receivables for the first 30 days from the date of the invoice. Thereafter, a late payment fee of 3% may be charged on the outstanding balance. An allowance has been made for estimated irrecoverable amounts from the sale of goods of £76,000 (2008: £19,000). An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Directors consider that the carrying amount of financial assets classified as loans and receivables approximates to their fair value.

# Notes to the financial statements continued

for the year ended 31 March 2009

## 15. Other current assets

	31 March 2009 £'000	31 March 2008 £'000
Other debtors	1,207	919
Prepayments	1,111	767
Accrued income	101	102
	<b>2,419</b>	<b>1,788</b>

## 16. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2008: 30%).

The following are the major deferred tax assets recognised by the Group and movements thereon during the current period:

	Short term Differences £'000	Tax Loss Available £'000	Total £'000
At 1 April 2008	22	2	24
Charge to income	51	-	51
<b>At 31 March 2009</b>	<b>73</b>	<b>2</b>	<b>75</b>

## 17. Corporation tax

	Year Ended 31 March 2009 £'000	Year Ended 31 March 2008 £'000
Current tax:		
Current tax:	1,701	601
Adjustments in respect of prior periods	(153)	-
	<b>1,548</b>	<b>601</b>
Deferred tax	(51)	53
Total tax charge on profit	<b>1,497</b>	<b>654</b>

Corporation tax is calculated at 28% (2008: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year Ended 31 March 2009 £'000	Year Ended 31 March 2008 £'000
Profit before tax:	6,003	2,175
Tax at the UK corporation tax rate of 28% (2008: 30%)	1,681	653
Factors affecting charge for the period:		
Capital allowances in excess of depreciation	(52)	(76)
Expenses not deductible for tax purposes	120	84
Income not taxable	(11)	(8)
Unprovided overseas tax charge due to losses brought forward	51	-
Utilisation of brought forward tax losses	(139)	-
Adjustments in respect of prior periods	(153)	1
Total tax charge on profit	<b>1,497</b>	<b>654</b>

# Notes to the financial statements continued

for the year ended 31 March 2009

## 18. Financial instruments - Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Market risk
- Foreign exchange risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

### Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade and other receivables
- cash at bank
- bank overdrafts
- trade and other payables
- loan notes
- finance leases

### General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. This is addressed by only banking with reputable financial institutions.

The Group does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

#### Market risk

Market risk arises from the Group's use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

The Directors have reviewed the effect of a 1% increase or decrease in interest rates and have assessed this to be immaterial on the Group's profits.

#### Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which the Group companies are operating. The Group's net assets arising from such overseas operations are exposed to foreign exchange risk resulting in gains or losses on retranslation into sterling. Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques.

Foreign exchange risk also arises when individual group entities enter into transactions denominated in a currency other than their functional currency. Where it is considered the risk to the Group is significant, group treasury will enter into a matching forward contract with a reputable bank.

The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (primarily euro or pound sterling) with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The Directors have reviewed the effect of a 5% increase or decrease in exchange rates and have assessed this to be immaterial on the Group's profits.

# Notes to the financial statements continued

for the year ended 31 March 2009

## Liquidity risk

The liquidity risk of the Group is managed centrally. The working capital needs of the Group are forecast on a weekly and rolling three month and twelve month basis. Surplus cash is held centrally to maximise returns on deposits through economies of scale. The type of cash instrument and its maturity will depend on the Group's forecast cash requirements.

## Capital disclosures

The Group's objectives when maintaining capital are: to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

At the year end the Company had debt of £41,000 (2008: £111,000) consisting of loan notes (see notes 19 and 20).

## 19. Trade and other payables

	<b>31 March 2009</b>	31 March 2008
	<b>£'000</b>	£'000
Trade payables	<b>2,520</b>	2,368
Other payables and accruals (note 23)	<b>9,129</b>	6,240
<b>Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost</b>	<b>11,649</b>	8,608
Loan (note 20)	<b>41</b>	111
Obligation under finance lease (note 21)	<b>-</b>	88
<b>Total financial liabilities measured at amortised cost</b>	<b>11,690</b>	8,807

Maturity analysis of the financial liabilities, excluding loans and borrowing, classified as financial liabilities measure at amortised cost, is as follows:

	<b>31 March 2009</b>	31 March 2008
	<b>£'000</b>	£'000
Up to 3 months	<b>10,850</b>	8,289
3 to 6 months	<b>840</b>	481
6 to 12 months	<b>-</b>	37
	<b>11,690</b>	8,807

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 20 days (2008: 24 days).

The Directors consider that the carrying amount of financial liabilities measured at amortised cost approximates to their fair value.

# Notes to the financial statements continued

for the year ended 31 March 2009

## 20. Loan notes

	Year Ended 31 March 2009 £'000	Year Ended 31 March 2008 £'000
Secured loan notes	41	111

Loan notes are repayable on demand. Per note 14, cash held in a restricted deposit account has guaranteed the secured loan note. The loan notes incur interest at variable rates ranging between 3% and 6%. During the year £70,000 of loan notes were redeemed. The fair value of loan notes was the same as book value above.

## 21. Obligations under finance leases

Minimum lease payments

Amounts payable under finance leases:

	Year Ended 31 March 2009 £'000	Year Ended 31 March 2008 £'000
Within one year	-	93
Less: future finance charges	-	(5)
Present value of lease obligations	-	88
Less: Amount due for settlement within 12 months (shown under current liabilities)	-	(88)

It is the Group's policy to lease certain of its leasehold improvements under finance leases. The average lease term is 5 years. For the year ended 31 March 2009, the average effective interest rate was 11.3% (2008: 11.3%).

All lease obligations are denominated in sterling. The fair value of the Group's lease obligations approximates to their carrying amount. The Group's obligations are secured by the lessor's charges over the leased assets (see note 11).

## 22. Provisions

	Onerous contracts £'000	Leasehold Dilapidations £'000	Total £'000
At 1 April 2008	122	382	504
Additional provision	-	79	79
Utilised in year	(47)	-	(47)
<b>At 31 March 2009</b>	<b>75</b>	<b>461</b>	<b>536</b>
Due within one year or less	47	31	78
Due after more than one year	28	430	458

Onerous contracts relate to the excess of rents payable over rents receivable on sub-let office space. Inherent uncertainties in measuring the provision relate to estimates of rents that will be received in the future on vacant property, and estimating future rents on property where the current sub-lease is of a shorter duration than the head lease.

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The cost is recognised as depreciation of leasehold improvements over the remaining terms of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

# Notes to the financial statements continued

for the year ended 31 March 2009

## 23. Other payables and accruals

	31 March 2009 £'000	31 March 2008 £'000
<b>Amounts falling due within one year:</b>		
<b>Other payables and accruals:</b>		
Delivery	3,228	2,462
Staff related	1,621	739
Overheads	1,432	1,471
Branch closure costs	637	-
Other	2,211	1,568
	<b>9,129</b>	<b>6,240</b>
Deferred income	3,082	1,849
Other taxes and social security	1,629	1,317
	<b>13,840</b>	<b>9,406</b>

## 24. Share capital

	31 March 2009 £'000		31 March 2008 £'000	
Authorised 26,000,000 (2008: 26,000,000) ordinary shares of 5p each		1,300		1,300
Issued and fully paid	2009 Number	2009 £'000	2008 Number	2008 £'000
At beginning of the year	25,273,348	1,264	25,273,348	1,264
Issued for cash during the year	127,104	6	-	-
<b>At end of the year</b>	<b>25,400,452</b>	<b>1,270</b>	<b>25,273,348</b>	<b>1,264</b>

## 25. Share premium account

	Year Ended 31 March 2009 £'000	Year Ended 31 March 2008 £'000
Balance at 1 April 2008	15,109	15,109
Premium arising on issue of equity shares	100	-
<b>Balance at 31 March 2009</b>	<b>15,209</b>	<b>15,109</b>

# Notes to the financial statements continued

for the year ended 31 March 2009

## 26. Equity shareholders' funds

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	ESOP reserve £'000	Currency translation reserve £'000	Retained loss £'000	Total £'000
<b>Balance at 1 April 2007</b>	<b>1,264</b>	<b>15,109</b>	<b>10,170</b>	<b>(397)</b>	<b>66</b>	<b>(8,263)</b>	<b>17,949</b>
Currency translation differences	-	-	-	-	(63)	-	(63)
Net profit for the year	-	-	-	-	-	1,378	1,378
Share option credit	-	-	-	-	-	67	67
<b>Balance at 1 April 2008</b>	<b>1,264</b>	<b>15,109</b>	<b>10,170</b>	<b>(397)</b>	<b>3</b>	<b>(6,818)</b>	<b>19,331</b>
Share issue	6	100	-	-	-	-	106
Currency translation differences	-	-	-	-	(129)	-	(129)
Net profit for the year	-	-	-	-	-	3,718	3,718
Equity dividend paid	-	-	-	-	-	(1,007)	(1,007)
Share option credit	-	-	-	-	-	130	130
<b>Balance at 31 March 2009</b>	<b>1,270</b>	<b>15,209</b>	<b>10,170</b>	<b>(397)</b>	<b>(126)</b>	<b>(3,977)</b>	<b>22,149</b>

Called up share capital is the total issued share capital at nominal value.

The share premium account represents the excess of the proceeds of share allotments over the nominal value of those shares.

The merger reserve represents non-distributable reserves arising upon the acquisition of certain subsidiaries for which the consideration included the issue of shares eligible for merger relief.

The ESOP reserve represents the costs of 100,000 shares of the Company acquired with finance provided by the Company and held by the Trustee of the ESOP scheme (refer note 30).

The currency translation reserve represents exchange differences arising on the translation of the assets and liabilities and income and expense items of the Group's foreign operations into sterling.

Retained loss revenue is the cumulative loss recognised.

## 27. Related party transactions

### Key management personnel

Key management personnel comprises the Board of Directors which manages the business and affairs of the Company. Details of shares held in the Company by Directors and share options granted, and remuneration of key management personnel are disclosed in the Directors' Remuneration report (pages 8 to 10).

## 28. Cash and cash equivalents

	Year Ended 31 March 2009 £'000	Year Ended 31 March 2008 £'000
Cash and cash equivalents are made up as follows:		
Cash	<b>8,834</b>	2,850
Cash on restricted deposit	<b>41</b>	111
Cash and cash equivalents	<b>8,875</b>	2,961

# Notes to the financial statements continued

for the year ended 31 March 2009

## 29. Leases

### Operating leases - lessee

The Group leases all of its properties. The terms of the leases vary, but are negotiated for an average term of 10 years and rentals are fixed for an average of 5 years.

The total future minimum lease payments are due as follows:

	<b>31 March 2009</b>	31 March 2008
	<b>£'000</b>	£'000
Not later than one year	<b>2,608</b>	2,948
Later than one year and not later than five years	<b>7,294</b>	7,757
Later than five years	<b>2,315</b>	2,485
	<b>12,217</b>	13,190

### Operating leases - lessor

Certain properties may have been vacated prior to the end of the lease term. Where possible the Group always endeavours to sub-lease such vacant space on short-term lets. An onerous provision is recognised where the rents receivable over the lease term are less than the obligation to the head lessor (see note 22).

The sub-lease rental income for the year ended 31 March 2009 was £573,850 (2008: £573,850) and has been offset against total rental payable in the income statement.

The minimum rent receivables under non-cancellable operating leases are as follows:

	<b>31 March 2009</b>	31 March 2008
	<b>£'000</b>	£'000
Not later than one year	<b>574</b>	574
Later than one year and not later than five years	<b>2,295</b>	2,295
Later than five years	<b>717</b>	1,291
	<b>3,586</b>	4,160

## 30. Share-based payments

Options have been granted under the Penna Executive Share Option Scheme, the Penna Consulting Plc Long Term Incentive Plan 2007 (LTIP) and Sharesave Scheme to subscribe for ordinary shares of the Company. Options are exercisable at a price equal to the quoted market prices of the Company's shares on the date of grant for those granted under the Executive Share Option Scheme and LTIP; and at a discount (up to 20%) for those granted under the Sharesave Scheme. The vesting period for the Executive Share Option Scheme and LTIP is between 3 and 10 years after date of grant, depending on achievement of certain performance conditions, and for the Sharesave Scheme for six months after the third anniversary of date of grant.

The options expire immediately after the vesting period. Options are forfeited if the employee leaves the Group before the options vest.

The option pricing model used is Black-Scholes.

# Notes to the financial statements continued

for the year ended 31 March 2009

Details of the share options outstanding during the year are as follows:

	<b>Year ended 31 March 2009 No of share options</b>	<b>2009 Weighted average Exercised price (£)</b>	Year Ended 31 March 2008 No of share options	2008 Weighted average Exercise price (£)
Outstanding at beginning of year	4,776,066	1.02	845,028	1.10
Granted during the year	502,859	1.41	4,154,674	1.00
Forfeited during the year	(352,355)	1.00	(233,636)	1.00
Exercised during the year	(124,433)	0.67	-	-
Expired during the year	(31,821)	0.61	-	-
Outstanding at the end of the year	4,770,316	0.97	4,776,066	1.02
Exercisable at the end of the year	584,809	1.20	233,671	1.13

EMI share options were granted at £1.60/share during the year. The share options exercised during the year relate to the options under the SAYE scheme. The range of exercise prices of share options outstanding at the year end was £0.84 to £3.80.

The following information is relevant in the determination of fair value of options granted during the year under the equity settled share based remuneration scheme operated by the Group.

	2009	2008
Weighted average share price	100p	100p
Weighted average exercise price	100p	100p
Expected volatility	20%	20%
Expected life	3-5 years*	3-5 years*
Expected dividend yield	4%	2%
Risk free rate	5%	5%

The Group recognised total expenses of £130,000 and £67,000 related to equity-settled share-based payment transactions in 2009 and 2008 respectively.

The weighted average contractual life of options outstanding at the end of the period was 5 years, 5 months (2008: 5 years, 5 months)

The weighted average fair value of options granted in the period was 33.6p (2008: 19.0p).

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years.

\* Save as you earn 3 years. EMI share options 3-5 years.

## ESOP Scheme

Penna Consulting Plc established an 'ESOP' scheme as an incentive scheme for employees. The Trustee, Ogier (Jersey) purchased the Company's shares in the open market with finance provided by the Company. Costs in respect of the scheme are written off as incurred. The original cost of the shares of £396,640 represents the purchase of 100,000 shares at £3.97. This value is held in reserves. The market value of the shares at the balance sheet date was £183,000. The right to dividends has not been waived and at balance sheet date, no shares had been allocated to employees. Allocation is at the discretion of the Remuneration Committee.

## 31. Retirement benefit schemes

A defined contribution scheme is operated on behalf of the employees of three of the subsidiary undertakings. The assets are held separately from those of the Company in an independently administered fund. The total cost charged to income of £258,000 (2008: £248,200) represents contributions payable to these schemes. There were no outstanding contributions at the year-end (2008: £nil).

## 32. Post balance sheet event


Following the year end Penna Plc, a subsidiary of Penna Consulting Plc, acquired the business assets of Barkers Group Limited on the 29 June 2009 for a consideration of £8.6m in cash paid on acquisition. It is not practicable to disclose the carrying value of the Barker Group trade and assets acquired as there are a number of unknowns around the collectability of assets acquired which have not been resolved due to the proximity of the acquisition to the reporting date.

# Company balance sheet

for the year ended 31 March 2009

	Note	31 March 2009 £'000	31 March 2008 £'000
<b>Fixed assets</b>			
Investments	c	15,890	15,760
		<b>15,890</b>	15,760
<b>Current assets</b>			
Debtors	d	27,066	16,921
Cash at bank and in hand	e	7,983	2,201
		<b>35,049</b>	19,122
<b>Creditors:</b> Amounts falling due within one year	f	<b>(29,095)</b>	(12,238)
<b>Net current assets</b>		<b>5,954</b>	6,884
<b>Net assets</b>		<b>21,844</b>	22,644
<b>Capital and reserves</b>			
Called up share capital	g	1,270	1,264
Share premium account	h	15,209	15,109
Employee Share Option Plan reserve		(397)	(397)
Profit and loss account	i	5,762	6,668
<b>Shareholders' funds</b>	j	<b>21,844</b>	22,644

The financial statements were approved by the Board of Directors and authorised for issue on 14 August 2009. They were signed on its behalf by:



David SP Firth  
Finance Director

The accompanying notes are an integral part of this Balance Sheet.

# Notes to the Company financial statements

for the year ended 31 March 2009

## **a. Significant accounting policies**

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

### **Investments**

Investments are shown at cost less provision for impairment.

### **Cash at bank and in hand**

Cash at bank and in hand comprise cash on hand and demand deposits, overdrafts and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### **Share based payments**

The Company operates a share options scheme to incentivise employees of its subsidiary companies. The details of the scheme can be found in note 30 of the consolidated financial statements. As there are no employees in Penna Consulting Plc, the share based payment is treated as capital contribution and therefore included in cost of investment.

## **b. Profit for the year**

As permitted by section 230 of the Companies Act 1985, the Company has elected not to present its own profit and loss account for the year. The Company reported a loss for the financial year ended 31 March 2009 of £29,000 (2008 loss: £3,665,000).

The auditors' remuneration for audit services to the Company was £28,000 (2008: £26,000).

The Company has no employees in the current or prior year.

# Notes to the Company financial statements continued

for the year ended 31 March 2009

## c. Fixed assets investments

	Company £'000s
<b>Cost</b>	
At 31 March 2008	26,518
Additions	130
<b>At 31 March 2009</b>	<b>26,648</b>
<b>Provisions for impairment</b>	
<b>At 1 April 2008 and 31 March 2009</b>	<b>10,758</b>
<b>Net book value</b>	
<b>At 31 March 2009</b>	<b>15,890</b>
At 31 March 2008	15,760

## d. Debtors

	31 March 2009 £'000	31 March 2008 £'000
Trade debtors	41	41
Amounts owed by subsidiary undertakings	27,025	16,850
Other debtors	-	30
	<b>27,066</b>	16,921

## e. Cash and cash in hand

In previous periods the purchase consideration for certain acquisitions included the issue of loan notes. The balance of unredeemed loan notes at the year ended amounted to £41,000 (2008: £111,000). Cash has been transferred into a restricted deposit account to guarantee the payment of certain of these loan notes. This is included within cash at bank and in hand for the Company.

## f. Creditors: Amounts falling due within one year

	31 March 2009 £'000	31 March 2008 £'000
Loan notes	41	111
Amounts due to subsidiary undertakings	29,054	12,095
Other creditors, accruals and deferred income	-	32
	<b>29,095</b>	12,238

# Notes to the Company financial statements continued

for the year ended 31 March 2009

**g. Share capital**

			<b>31 March 2009</b>	31 March 2008
			<b>£'000</b>	£'000
Authorised 26,000,000 (2008: 26,000,000) ordinary shares of 5p each			<b>1,300</b>	1,300
<b>Issued and fully paid</b>	<b>2009</b>	<b>2009</b>		
	<b>Number</b>	<b>£'000</b>		<b>2008</b>
				<b>Number</b>
At beginning of the year	<b>25,273,348</b>	<b>1,264</b>	25,273,348	1,264
Issued for cash during the year	<b>127,104</b>	<b>6</b>	-	-
<b>At end of the year</b>	<b>25,400,452</b>	<b>1,270</b>	25,273,348	1,264

**h. Share premium account**

	£'000
Balance at 1 April 2008	15,109
Increase in share capital	100
<b>Balance at 31 March 2009</b>	<b>15,209</b>

**i. Profit and loss account**

	£000's
Balance at 1 April 2008	6,668
Retained loss for the financial year	(1,036)
Share option credit	130
<b>Balance at 31 March 2009</b>	<b>5,762</b>

**j. Reconciliation of movements in Shareholders' funds**

	£'000
Balance at 1 April 2007	26,242
Loss for the financial year	(3,665)
Share options credit	67
Balance at 1 April 2008	22,644
Increase in share capital	106
Loss for the financial year	(29)
Equity dividends paid	(1,007)
Share options credit	130
<b>Balance at 31 March 2009</b>	<b>21,844</b>

# Independent auditor's report

For the year ended 31 March 2009

## Independent Auditor's Report To The Shareholders Of Penna Consulting Plc

We have audited the Group and parent company financial statements (the "financial statements") of Penna Consulting Plc for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Report of the Directors is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, the Chairman's Review, the Directors remuneration report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

### Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2009;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

BDO STOY HAYWARD LLP  
Chartered Accountants and Registered Auditors  
London  
14 August 2009

# Further information

## Where to contact us

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 www.penna.com

## We operate from:

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 Finland  
 France  
 Germany  
 Greece  
 Ireland  
 Italy

Netherlands  
 Norway  
 Portugal  
 Romania  
 Spain  
 Sweden  
 Switzerland  
 United Kingdom

Argentina  
 Brazil  
 Canada  
 Colombia  
 Mexico  
 Panama  
 Puerto Rico  
 USA

Australia  
 Hong Kong  
 Japan  
 Korea  
 Singapore  
 New Zealand

## Advisers

### Auditors

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 London  
 W1U 7EU

### Nominated Adviser and Stockbroker

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 41 Lothbury  
 London  
 EC2R 7AE

### Bankers

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 1 Churchill Place  
 E14 5HP

### Registrar and Transfer Office

Capita Registrars  
 The Registry  
 34 Beckenham Road  
 Beckenham  
 Kent  
 BR3 4BR

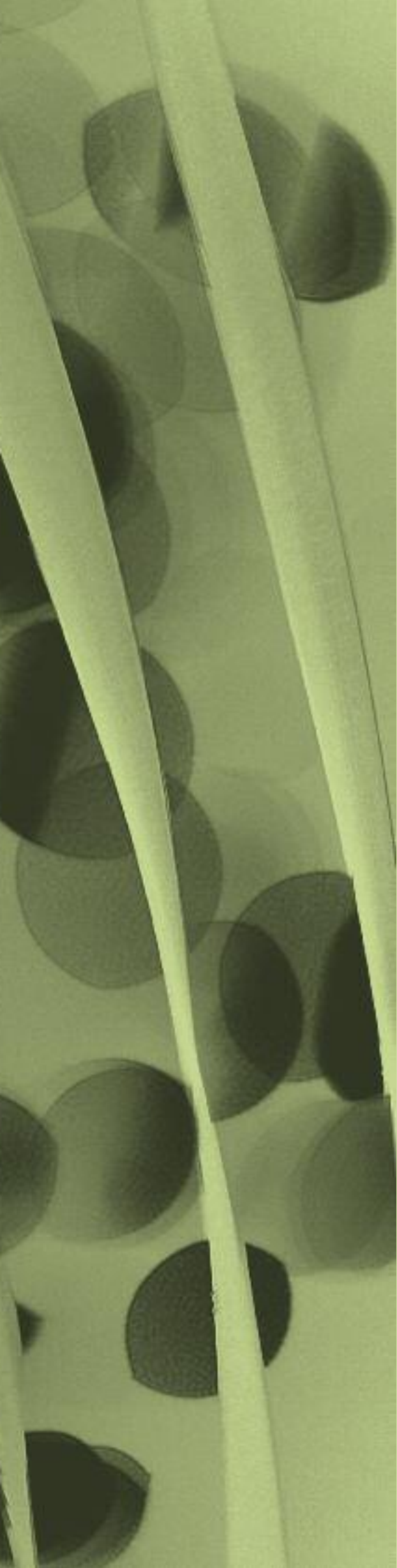
## Useful Information for Shareholders

### Diary

The Annual General Meeting will be held at 2.00pm on 24 September 2009 at 55 Gracechurch Street, London EC3V 0EE.

### Share Price Information

Up to date information on the Company's share price can be found on our website at [www.penna.com](http://www.penna.com). Daily share prices are published in the Financial Times and The Times.



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