

**PENNA CONSULTING PLC ANNOUNCES  
INTERIM RESULTS**

**7 November 2006**

Penna Consulting Plc (PNA), the Human Capital Management Consultancy group, today announces its interim results for the six month period ended 30 September 2006.

**Headlines**

- Net Revenue £14.7m (down 8%)
- Operating Loss £0.9m (2005: profit £1.3m)
- Actions taken to reduce costs by £2.6m through the first half
- Net debt reduced to c.£1.0m following recent share placing

Commenting on the results, Stephen Rowlinson, Chairman said:

“We have taken steps to ensure that we will return to profit in the second half of the year and expect that profits in the period will more than offset the loss of the first half and produce a positive result for the year as a whole. However earlier forecasts for the current year will not be achieved. The medium term outlook for the business remains good and our finances are now robust.”

For further information please contact:

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## Penna Consulting Plc Interim Report 2006

### Chairman's Review

Our smaller, developing businesses performed well in the period under review but as we foreshadowed in our announcement on 4th July 2006 and in our circular to shareholders dated 18th August 2006, trading in our largest division, Career Transition, suffered from subdued demand. Consequently, net revenues in the first half of the year were 8% down on the same period of the previous year and the Group made a loss at the operating level. During the period, management took decisive and rapid action to adjust the Company's cost base and, by the end of the first half, annualised costs were £2.6m lower than at the beginning of the year.

Revenue trends have improved in recent months and this, together with the benefit of the cost reductions, will ensure a significantly better performance in the second half.

### Financial Review

Turnover in the period was 10% lower at £19.8m (2005: £22.0m). Net revenue (i.e. excluding recharges to clients) was 8% lower at £14.7m (2005: £15.9m) and the Operating loss was £0.9m (2005: Profit £1.3m).

Shortly after the end of the half-year, on 10th October 2006, the Company completed a placing of 5.7m ordinary shares at 70p. Following the placing the Company's net debt was reduced to c. £1.0m

The Board does not recommend the payment of an interim dividend but will keep dividend policy under review.

### Net Revenue by service line

	<b>Six months to 30 Sept 2006 £'000</b>	Six months to 30 Sept 2005 £'000	Change on Prior period %
Career Transition	7,840	9,574	-18%
Resourcing	2,301	2,972	-23%
Interim	1,085	1,651	-34%
Recruitment Communications	310	21	+1376%
Leadership Services	1,135	1,073	+6%
HR Consulting	2,141	785	+273%
Intercompany sales	(162)	(131)	
<b>Total Net revenues</b>	<b>14,650</b>	<b>15,945</b>	<b>-8%</b>
Total Turnover	19,797	21,968	-10%

### Operational review

Career Transition remains a vital core activity of the Group and we are proud that Penna is regarded as a market leader and the provider of the highest quality service to organisations and their employees as they themselves go through the difficult process of restructuring. Our competitors within Career Transition are currently reducing capacity and at the same time we are seeing a more positive trend in demand. We are therefore confident that in the medium term we will see a marked improvement in the performance of this division.

First half figures for Resourcing suffer from comparison with those of the previous year that included revenue from a high volume contract. However performance of this division has been disappointing. Resourcing has considerable potential for Penna and senior management is developing action plans to fulfil that potential.

Much of our future growth will come from the newer businesses and we are delighted that we are increasingly recognised as being among the industry leaders in Interim Management, Leadership Services and Human Resource Consulting. The near trebling of revenue achieved by our HR Consulting team in the period under review is an excellent performance and illustrates the potential for these Penna services. Our newest division - Recruitment Communications – is growing rapidly, continues to win long-term contracts with major organisations and is expected to be contributing to Group profits before the end of this Company year.

Our International business, which has offices in Dublin, Paris, Stockholm and Madrid is progressing well and now represents 13% of the Group's net revenues (2005: 8%). In particular our Continental offices are producing some exciting results under dynamic leadership.

### **Outlook**

Given the combination of improving revenue and achieved cost reductions, we expect a strong return to profit in the second half of the year. However, given the disappointing result in the first half, the profit outcome for the year as a whole is likely to be positive but materially lower than current market expectations.

A handwritten signature in black ink, appearing to read 'S. Rowlinson', with a horizontal line extending to the right.

**Stephen Rowlinson**  
**Chairman**

7 November 2006

**Penna Consulting Plc**

**Consolidated income statement  
for the six months ended 30 September 2006 (unaudited)**

	Notes	<b>Six Months Ended 30 September 2006</b>	Six Months Ended 30 September 2005	Year Ended 31 March 2006
		<b>£'000</b>	£'000	£'000
<b>Continuing operations</b>				
Turnover		<b>19,797</b>	21,968	44,602
Operating costs		<b>(20,677)</b>	(20,700)	(42,217)
<b>Operating (loss)/profit</b>		<b>(880)</b>	1,268	2,385
Profit on disposal of fixed asset investment		-	-	308
Finance costs		<b>(118)</b>	(141)	(288)
Share of results of associate		-	48	183
<b>(Loss)/profit before tax</b>		<b>(998)</b>	1,175	2,588
Tax	2	<b>300</b>	(376)	(442)
<b>(Loss)/profit for the period</b>		<b>(698)</b>	799	2,146
Attributable to:				
Equity holders of the parent		<b>(698)</b>	799	2,146
(Loss)/earnings per share:	3			
- basic		<b>(3.6)p</b>	4.2p	11.2p
- diluted		<b>(3.6)p</b>	4.1p	11.1p

**Penna Consulting Plc**

**Consolidated balance sheet  
at 30 September 2006 (unaudited)**

	<b>30 September 2006 £'000</b>	30 September 2005 £'000	31 March 2006 £'000
<b>Non-current assets</b>			
Tangibles	2,112	1,991	2,270
Intangibles – software	80	100	75
Goodwill	14,036	14,036	14,036
Investments	-	2,558	-
	<b>16,228</b>	<b>18,685</b>	<b>16,381</b>
<b>Current assets</b>			
Trade debtors	9,320	10,982	11,173
Corporation tax	352	480	35
Cash and short term deposits	381	2,117	2,117
Other prepayments	1,705	1,517	2,432
	<b>11,758</b>	<b>15,096</b>	<b>15,757</b>
<b>Total assets</b>	<b>27,986</b>	<b>33,781</b>	<b>32,138</b>
<b>Current liabilities</b>			
Trade creditors	2,690	2,811	2,824
Bank loans	2,256	5,307	4,386
Other loans	1,925	-	-
Loan notes	451	2,462	2,462
Finance leases	89	80	84
Provision for liabilities and charges	221	444	210
Other creditors and accruals	6,605	8,106	7,691
	<b>14,237</b>	<b>19,210</b>	<b>17,657</b>
<b>Non-current liabilities</b>			
Finance leases	137	226	183
Provision for liabilities and charges	240	660	263
Other creditors and accruals	143	864	182
	<b>520</b>	<b>1,750</b>	<b>628</b>
<b>Total liabilities</b>	<b>14,757</b>	<b>20,960</b>	<b>18,285</b>
<b>Net assets</b>	<b>13,229</b>	<b>12,821</b>	<b>13,853</b>
<b>Capital and reserves</b>			
Called up share capital	978	961	978
Share premium account	11,899	11,706	11,899
Merger reserve	10,170	10,170	10,170
Employee Share Option Plan reserve	(397)	(397)	(397)
Share option reserve	325	264	272
Foreign currency translation reserve	63	33	42
Retained loss	(9,809)	(9,916)	(9,111)
<b>Total equity</b>	<b>13,229</b>	<b>12,821</b>	<b>13,853</b>

**Penna Consulting Plc**

**Consolidated statement of changes in equity  
at 30 September 2006 (unaudited)**

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	ESOP reserve £'000	Share option reserve £'000	Foreign currency translation £'000	Retained loss £'000	Total equity £'000
<b>At 1 April 2005</b>	<b>961</b>	<b>11,701</b>	<b>10,170</b>	<b>(397)</b>	<b>212</b>	<b>40</b>	<b>(10,715)</b>	<b>11,972</b>
Share issue		5	-	-	-	-	-	5
Currency translation differences	-	-	-	-	-	(7)	-	(7)
Profit	-	-	-	-	-	-	799	799
Share option charge	-	-	-	-	52	-	-	52
Impact of IAS 39/32 adoption	-	-	-	-	-	-	-	-
<b>At 30 September 2005</b>	<b>961</b>	<b>11,706</b>	<b>10,170</b>	<b>(397)</b>	<b>264</b>	<b>33</b>	<b>(9,916)</b>	<b>12,821</b>
Share issue	17	193	-	-	-	-	-	210
Currency translation differences	-	-	-	-	-	9	-	9
Profit	-	-	-	-	-	-	1,347	1,347
Share option charge	-	-	-	-	8	-	-	8
Impact of IAS 39/32 adoption	-	-	-	-	-	-	(542)	(542)
<b>At 31 March 2006</b>	<b>978</b>	<b>11,899</b>	<b>10,170</b>	<b>(397)</b>	<b>272</b>	<b>42</b>	<b>(9,111)</b>	<b>13,853</b>
Share issue	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	21	-	21
Profit	-	-	-	-	-	-	(698)	(698)
Share option charge	-	-	-	-	53	-	-	53
<b>At 30 September 2006</b>	<b>978</b>	<b>11,899</b>	<b>10,170</b>	<b>(397)</b>	<b>325</b>	<b>63</b>	<b>(9,809)</b>	<b>13,229</b>

**Penna Consulting Plc**

**Consolidated group cash flow statement  
for the six months ended 30 September 2006 (unaudited)**

	Six Months Ended 30 September 2006 £'000	Six Months Ended 30 September 2005 £'000	Year Ended 31 March 2006 £'000	
Note				
<b>Cash flows from operating activities</b>				
Cash generated/(used) by operations	5a	102	(1,226)	(2,388)
Tax (paid)/refunded		(17)	48	428
Interest paid – bank interest		(104)	(113)	(241)
Net cash used by operating activities		(19)	(1,291)	(2,201)
<b>Cash flows from investing activities</b>				
Net purchase of property, plant and equipment		(196)	(783)	(1,356)
Sale of investment		750	-	2,250
Net cash generated/(used) by investing activities		554	(783)	894
<b>Cash flows from financing activities</b>				
Interest paid – finance leases		(14)	(18)	(35)
Bank loan received		2,000	-	-
Repayment of finance leases		(41)	(36)	(75)
Repayment of loan notes		(2,011)	(342)	(342)
Issue of ordinary share capital		-	-	210
Loan from Director		1,925	-	-
Net cash generated/(used) by financing activities		1,859	(396)	(242)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,394</b>	<b>(2,470)</b>	<b>(1,549)</b>
Cash and cash equivalents at start of period		(2,269)	(720)	(720)
<b>Cash and cash equivalents at end of period</b>	5b	<b>125</b>	<b>(3,190)</b>	<b>(2,269)</b>

## Penna Consulting Plc

### Notes to the interim financial statements for the six months ended 30 September 2006 (unaudited)

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#### 1. Accounting policies

The consolidated interim financial statements are for the six months ended 30 September 2006. They have been prepared under the historical cost convention using accounting policies that are consistent with current International Financial Reporting Standards (IFRS). The interim financial statements are unaudited.

#### 2. Taxation

Taxation has been provided for at 30% (2005: 30%), for the UK and appropriate rates for overseas earnings.

#### 3. (Loss)/earnings per share

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

	<b>Six months ended 30 September 2006</b>	Six months ended 30 September 2005	Year ended 31 March 2006
<b>Earnings</b>			
Profit/(loss) from continuing operations (£'000)	<b>(698)</b>	799	2,146
Profit/(loss) for the period (£'000)	<b>(698)</b>	799	2,146
<b>Number of shares</b>			
Weighted average number of shares	<b>19,459,062</b>	19,215,987	19,248,782
Dilution effect of share option schemes	<b>27,013</b>	292,984	172,103
Diluted weighted average number of Shares	<b>19,486,075</b>	19,508,971	19,420,885
<b>(Loss)/earnings per share:</b>			
Basic	<b>(3.6)p</b>	4.2p	11.2p
Diluted	<b>(3.6)p</b>	4.1p	11.1p

#### 4. Dividends

No interim dividend was proposed (2005: nil) for the six months ended 30 September 2006.

**Penna Consulting Plc**

**Notes to the interim financial statements (continued)  
for the six months ended 30 September 2006 (unaudited)**

<b>5a. Reconciliation of operating profit to net cash outflow from operating activities</b>	<b>Six Months Ended 30 September 2006 £'000</b>	Six Months Ended 30 September 2005 £'000	Year Ended 31 March 2006 £'000
Operating (loss)/profit	<b>(880)</b>	1,268	2,385
Adjustments for:			
Depreciation	<b>255</b>	276	558
Loss on disposal of fixed assets	<b>94</b>	-	-
Share option expense	<b>53</b>	52	60
Changes in working capital:			
Decrease/(increase) in trade and other receivables	<b>1,831</b>	(468)	(826)
Decrease in trade and other payables	<b>(1,251)</b>	(2,354)	(3,605)
Surplus property provision reversed	-	-	(960)
<b>Cash generated/(used) by operations</b>	<b>102</b>	(1,226)	(2,388)
<b>5b. Cash and cash equivalents</b>	<b>At 30 September 2006 £'000</b>	At 30 September 2005 £'000	At 31 March 2006 £'000
Cash and cash equivalents are made up as follows:			
Net bank overdraft	<b>(74)</b>	(5,307)	(4,386)
Cash on restricted deposit	<b>199</b>	2,117	2,117
<b>Cash and cash equivalents</b>	<b>125</b>	(3,190)	(2,269)

## **6. Post Balance Sheet Event**

On 10 October 2006, trading in the Company's shares moved from the Official List to AIM and a placing of 5,714,286 at 70p was completed. The Company received £1.9m in cash (net of expenses) from the placing and converted an existing £1.925m loan into ordinary shares. The proforma net debt position (including loan notes) following the receipt of the placing proceeds is £1.0m.

## **7. Nature of the financial information**

The financial information set out in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2006, on which the auditors gave an unqualified audit report, have been delivered to the Registrar of Companies and copies of the Interim Report can be obtained from our Registered Office at 3<sup>rd</sup> Floor, St Mary's Court, 20 St Mary at Hill, London EC3R 8EE.

The Board of Directors approved the Interim Report on 7 November 2006. The financial information in respect of the six months to 30 September 2006 is unaudited.