

PENNA CONSULTING PLC ANNOUNCES INTERIM RESULTS

6 November 2007

Penna Consulting Plc (PNA) the Human Capital Management Consultancy group today announces its results for the six month period ended 30 September 2007.

Headlines

- **Profit before tax £0.5m (2006: loss £1.0m)**
- **Revenue up 13.2%**
- **Net Cash £0.9m (2006: net debt £4.3m)**

Commenting on the results, Stephen Rowlinson, Chairman said:

“Penna’s management, financial and cost structure is now very robust. We have an impressive portfolio of closely related businesses and demand for our services is on an upward trend. We are looking forward to completing a very satisfactory year and to continued profitable growth in 2008/9.”

For further information please contact:

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Chairman's Review

I am pleased to report a turnaround from loss to profit in the first half of this year compared to the same period of 2006/7. The usual seasonal pattern is for the Company to make most of its profits in the second half and therefore a profit before tax of £517k for the first six months indicates that the Group is making significant progress. In 2006/07 a loss of £998k in the first half was followed by a profit of £2,011k before redundancy costs in the second half.

Our balance sheet is strong. At midyear we had Net Cash of £0.9m compared to Net Debt of £4.3m last year. Net Assets have grown from £13.2m to £18.2m and Net Tangibles (i.e. excluding Goodwill) from Net Tangible Liabilities of £0.8m to Net Tangible Assets of £4.2m. This positive movement of £5.0m results from the £3.5m net proceeds of the share placing completed in October 2006 and £1.5m from retained earnings.

While the Board is not proposing an Interim Dividend we are keeping Dividend policy under review.

Net Revenue *

	Six months to 30 Sept 2007 £'000	Six months to 30 Sept 2006 £'000	Change on Prior period %
UK (ex Northern Ireland)			
Career Transition	7,557	7,246	+4%
Recruitment	846	1,237	-32%
Interim	1,411	1,061	+33%
Recruitment Communications	384	310	+24%
Leadership Services	1,442	952	+51%
HR Consulting	1,452	2,071	-30%
UK	13,092	12,877	+2%
Ireland	863	1,030	-16%
Rest of Europe	1,037	905	+15%
Intercompany revenue	-	(162)	-
Total Net Revenue *	14,992	14,650	+2%
Total Revenue	22,419	19,797	+13%

* Revenue less pass through costs

Operational review

In the UK, Career Transition showed a modest 4% growth in Net Revenue compared to the previous year. However, there was a clear growth trend developing during the period and by mid year there was a healthy level of work in progress and a good pipeline of contracts for the second half.

Leadership Services and Interim Management both achieved impressive growth of 51% and 33% respectively and Recruitment Communications grew by 24% albeit from a smaller base.

HR Consulting had a satisfactory six months although year on year comparisons are distorted by a single large contract in train in H1 of 2006/7. Recruitment showed a further drop in revenue and the benefits of the action plan undertaken at the beginning of the calendar year have yet to be seen.

Ireland saw Net Revenue reduce by 16% but the Region remained profitable and grew its work in progress and order pipeline. Our Continental Division had another successful half year with Net Revenue growing by 15%.

Outlook

Penna's management, financial and cost structure is now very robust. We have an impressive portfolio of closely related businesses staffed by highly talented consultants who share a commitment to achieving excellence in all aspects of our service to clients and to the wider community.

Demand for our services is on an upward trend and we are looking forward to completing a very satisfactory year and to continued profitable growth in 2008/9.

Stephen Rowlinson
Chairman
6 November 2007

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Consolidated income statement

for the six months ended 30 September 2007 (unaudited)

	Notes	Six Months Ended 30 September 2007	Six Months Ended 30 September 2006	Year Ended 31 March 2007
		£'000	£'000	£'000
Continuing operations				
Revenue		22,419	19,797	43,379
Operating expenses		(21,858)	(20,677)	(42,647)
Operating profit/(loss)		561	(880)	732
Finance costs		(44)	(118)	(160)
Profit/(loss) before tax		517	(998)	572
Tax	2	(156)	300	-
Profit/(loss) for the period		361	(698)	572
Attributable to:				
Equity holders of the parent		361	(698)	572
Earnings/(loss) per share:	3	1.4p	(3.6)p	2.6p

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**Consolidated balance sheet
at 30 September 2007 (unaudited)**

	30 September 2007 £'000	30 September 2006 £'000	31 March 2007 £'000
Non-current assets			
Goodwill	14,036	14,036	14,036
Tangibles	1,934	2,112	1,972
Intangibles – software	33	80	50
	16,003	16,228	16,058
Current assets			
Trade receivables	9,601	9,320	9,956
Other current assets	1,809	1,705	1,916
Corporation tax	-	352	-
Deferred tax	77	-	77
Cash and short term deposits	2,156	381	3,218
	13,643	11,758	15,167
Total assets	29,646	27,986	31,225
Current liabilities			
Trade payables	1,295	2,690	2,667
Bank overdrafts and loans	900	4,181	1,200
Loan notes	343	451	431
Obligations under finance leases	96	89	94
Provisions	32	221	194
Corporation tax	165	-	8
Other creditors and accruals	8,232	6,605	7,906
	11,063	14,237	12,500
Non-current liabilities			
Bank loans	-	-	300
Obligations under finance leases	37	137	88
Provisions for liabilities and charges	311	383	388
	348	520	776
Total liabilities	11,411	14,757	13,276
Net assets	18,235	13,229	17,949
Capital and reserves			
Called up share capital	1,264	978	1,264
Share premium account	15,109	11,899	15,109
Merger reserve	10,170	10,170	10,170
Employee Share Option Plan reserve	(397)	(397)	(397)
Foreign currency translation reserve	(13)	63	66
Retained loss	(7,898)	(9,484)	(8,263)
Total equity	18,235	13,229	17,949

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**Consolidated statement of changes in equity
at 30 September 2007 (unaudited)**

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	ESOP reserve £'000	Foreign currency translation £'000	Retained loss £'000	Total equity £'000
At 1 April 2006	978	11,899	10,170	(397)	42	(8,839)	13,853
Share issue	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	21	-	21
Loss	-	-	-	-	-	(698)	(698)
Share option charge	-	-	-	-	-	53	53
At 30 September 2006	978	11,899	10,170	(397)	63	(9,484)	13,229
Share issue	286	3,210	-	-	-	-	3,496
Currency translation differences	-	-	-	-	3	-	3
Profit	-	-	-	-	-	1,270	1,270
Share option charge	-	-	-	-	-	(49)	(49)
At 31 March 2007	1,264	15,109	10,170	(397)	66	(8,263)	17,949
Share issue	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	(79)	-	(79)
Profit	-	-	-	-	-	361	361
Share option charge	-	-	-	-	-	4	4
At 30 September 2007	1,264	15,109	10,170	(397)	(13)	(7,898)	18,235

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**Consolidated group cash flow statement
for the six months ended 30 September 2007 (unaudited)**

	Six Months Ended 30 September 2007 £'000	Six Months Ended 30 September 2006 £'000	Year Ended 31 March 2007 £'000	
Note				
Cash flows from operating activities				
Cash (used)/ generated by operations	5a	(73)	(102)	2,238
Tax refunded/(paid)		1	(17)	45
Interest paid – bank interest		(44)	(104)	(134)
Net cash (used)/generated by operating activities		(116)	(19)	2,149
Cash flows from investing activities				
Net purchase of property, plant and equipment		(209)	(196)	(266)
Sale of investment		-	750	750
Net cash (used)/generated by investing activities		(209)	554	484
Cash flows from financing activities				
Interest paid – finance leases		(9)	(14)	(26)
Bank loan received		-	2,250	2,250
Repayment of finance leases		(40)	(41)	(85)
Repayment of loan notes		(88)	(2,011)	(2,031)
Issue of ordinary share capital		-	-	3,496
Loan from Director		-	1,925	-
Bank loan repaid		(600)	(250)	(750)
Net cash (used)/generated by financing activities		(737)	(1,859)	2,854
Net (decrease)/increase in cash and cash equivalents		(1,062)	2,394	5,487
Cash and cash equivalents at start of period		3,218	(2,269)	(2,269)
Cash and cash equivalents at end of period	5b	2,156	125	3,218

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Notes to the interim financial statements for the six months ended 30 September 2007 (unaudited)

1. Accounting policies

The consolidated interim financial statements are for the six months ended 30 September 2007. They have been prepared under the historical cost convention using accounting policies that are consistent with International Financial Reporting Standards ("IFRS") which are expected to be applied in the year end financial statements. The interim financial statements have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board.

2. Taxation

Taxation has been provided for at 30% (2006: 30%), for the UK and appropriate rates for overseas earnings.

3. Earnings/(loss) per share

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

	Six months ended 30 September 2007	Six months ended 30 September 2006	Year ended 31 March 2007
Earnings			
Profit/(loss) from continuing operations (£'000)	361	(698)	572
Profit/(loss) for the period (£'000)	361	(698)	572
Number of shares			
Weighted average number of Shares	25,173,348	19,459,062	22,151,821
Dilution effect of share option Schemes	-	27,013	-
Diluted weighted average number of Shares	25,173,348	19,486,075	22,151,821
Earnings/(loss) per share:			
Basic	1.4p	(3.6)p	2.6p
Diluted	1.4p	(3.6)p	2.6p

4. Dividends

No interim dividend was proposed (2006: nil) for the six months ended 30 September 2007.

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**Notes to the interim financial statements (continued)
for the six months ended 30 September 2007 (unaudited)**

5a. Reconciliation of operating profit to net cash outflow from operating activities	Six Months Ended 30 September 2007 £'000	Six Months Ended 30 September 2006 £'000	Year Ended 31 March 2007 £'000
Operating profit/(loss)	561	(880)	732
Adjustments for:			
Depreciation	264	255	509
Loss on disposal of fixed assets	-	94	80
Share option expense	3	53	4
Changes in working capital:			
Decrease in trade and other receivables (Decrease)/increase in trade and other payables	451	1,831	995
Surplus property provision reversed	(1,352)	(1,251)	94
	-	-	(176)
Cash (used)/generated by operations	(73)	102	2,238

5b. Cash and cash equivalents	At 30 September 2007 £'000	At 30 September 2006 £'000	At 31 March 2007 £'000
Cash and cash equivalents are made up as follows:			
Net cash/(bank overdraft)	2,045	(74)	3,019
Cash on restricted deposit	111	199	199
Cash and cash equivalents	2,156	125	3,218

6. 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 2007, 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 3rd Floor, St Mary's Court, 20 St Mary at Hill, London EC3R 8EE.

The Board of Directors approved the Interim Report on 6 November 2007. The financial information in respect of the six months to 30 September 2007 is unaudited.