

PENNA CONSULTING PLC

(“Penna” or “the Group”)

Interim Results for the six months ended 30 September 2009

Penna Announces Further Strong Results

3 November 2009

Penna Consulting Plc (PNA:AIM), the international human resources consulting group, today announces its interim unaudited results for the six months ended 30 September 2009.

HIGHLIGHTS

- Revenue up 68% to £48.4m (2008: £28.9m)
- Pre tax profits before acquisition costs up 56% to £3.5m (2008: £2.3m)
- Like for like revenues - £32.0m, up 11% and pre tax profits £3.4m (2008: £2.3m), up 47%
- Profit before tax £2.5m (2008:£2.3m)
- Cash at period end £6.7m (31 March 2009: £8.9m)
- No bank debt
- Interim dividend up 50% to 3p (2008: 2p)
- Barkers acquisition in June 2009, integration has gone smoothly and is almost complete
- Revenues now 25% outplacement and 75% recruitment and related services
- Appropriate cost structure for current levels of demand

Commenting on the results and outlook, Stephen Rowlinson, Chairman, said:

“Once again our long established businesses produced growth in revenue and a very substantial increase in profit before tax. This was a result of improving margins and close control of operating costs. At the same time as delivering this excellent performance the Group completed the important strategic acquisition of Barkers, which doubles the size of Penna and has great potential for the future.

Because our cyclical recruitment business is three times bigger than our counter cyclical outplacement business we can be confident that Penna will be a major beneficiary of the upturn when it comes.

Meanwhile we can expect that our profitability and cash generation will allow us to take advantage of opportunities to make further acquisitions of substantial companies in the Human Resource sector. The Group has been successfully reorganised to accommodate the acquisition of the Barkers business in the first half of the year and is focussed on delivering profitable growth in each of the new service groups.”

ENDS

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Chairman's Review

I am pleased to present the results of a very successful half year.

Once again our long established businesses produced growth in revenue and a very substantial increase in profit before tax. This was a result of improving margins and close control of operating costs. At the same time as delivering this excellent performance the Group completed the important strategic acquisition of Barkers, which doubles the size of Penna and has great potential for the future.

Revenue for the six months ended 30 September 2009 was up 68% to £48.4m (2008: £28.9m) and profit before tax (before non-recurring post acquisition costs) increased by 56% to £3.5m (2008: £2.2m).

On a like for like basis (i.e. excluding Barkers) revenues were £32.0m (2008: £28.9m) up 11% on the same period of the previous year and margins continued to improve to produce profits of £3.4m (2008: £2.3m), up 47%. In the last Annual Report I noted that operating margins had improved from 4.5% in 2007/08 to 9.3% in 2008/09. I am therefore very pleased to highlight the further improvement to 10.4% achieved in the first half of the current year.

Barkers was acquired in the middle of the period under review and the acquisition is part of our strategy to become the leading HR services firm in the UK. The services acquired complement our existing business and give Penna access to a wider range of clients. We will continue to grow our service offering both organically and through acquisitions.

In the three months trading since its acquisition, Barkers produced Revenue of £16.4m and a profit before tax of £0.1m. This positive contribution to the Group's profit was gained during a period of intense and dramatic change in operations and we are very proud of the resilience of our talented and dedicated new colleagues.

Penna's businesses are highly cash generative and our balance sheet is strong. We have no bank debt and facilities established in 2007 remain undrawn. Cash at the period end was £6.7m.

Your Board has declared an interim dividend of 3p per share (2008: 2p) which will be payable on 5th March 2010 to shareholders on the register on 5th February 2010.

Operations

Following the Barkers acquisition in June we have organised the enlarged company into four service groups each led by a Managing Director responsible to the Group Chief Executive. Annualising 2nd Quarter revenues suggests that the current annual revenue run rate of the Company is around £120m. Outplacement, which is part of HR Consulting, remains an important core business and represents around 25% of Group turnover.

| Revenues | Six months to 30 September 2009 | Six months to 30 September 2008 | Year to 31 March 2009 |
|--|--|---------------------------------------|-----------------------------|
| Recruitment & Marketing Communications | £16.4m | £2.8m | £5.3m |
| Resourcing | £5.4m | £0.9m | £3.4m |
| Executive Recruitment & Interim | £8.2m | £9.2m | £18.8m |
| HR Consulting | £18.4m | £16.0m | £35.7m |
| Total revenue | £48.4m | £28.9m | £63.2m |

Penna Recruitment and Marketing Communications is the UK's largest Recruitment Advertising Agency, creating candidate attraction strategies using print, digital and other media. These include complex online offerings and employer reputation management for clients. These services are typically provided under long term arrangements with clients.

Recently the business has migrated to digital led services and project solutions, with products including advertising (online and offline), search engine marketing, media planning and buying, branding and reputation management, response handling, candidate management and assessment.

Clients include major UK and international blue chip companies and public sector and government organisations. The public and private sectors each account for approximately 50% of income, giving a stable and balanced mix of opportunity and exposure. We provide services to over 200 companies, 50 central government departments, 40 universities and 30 local government authorities.

In the period under review, Recruitment and Marketing Communications reported revenues of £16.4m (2008: £2.8m) with the acquired business contributing £14.4m in the three months since June. The service group has 125 London based employees and 55 regionally located across the UK. As part of the integration of the acquisition, teams from Barkers are moving into Penna's existing offices in Edinburgh, Leeds and Birmingham and new leases have been negotiated on favourable terms in London, Bristol, Slough and Wilmslow. A series of onerous leases have lapsed following our acquisition of the business from the administrators of its parent company.

We expect that demand for recruitment related services will remain subdued in the near term and the cost structure established for the combined Penna Barkers business reflects this view.

Our strategy is to ensure that this part of the Group will operate profitably at much lower levels of turnover than those seen in recent years. Our staffing levels, office costs and all other overheads are organised around this principle. When the market recovers we will be ready to respond immediately and to grow rapidly.

Penna Resourcing is one of the UK's three leading providers of integrated recruitment project solutions. The service group has over 40 clients including both international companies and government departments. Penna Resourcing provides a "turnkey" recruitment service to clients setting up or relocating a major unit. Services include the development of attraction strategies, delivery of recruitment campaigns, response handling and assessment leading to selection recommendations. Resourcing projects are normally contracted for a number of years.

The service group reported revenues of £5.4m (2008: £0.9m) in the period with the acquired business, contributing £1.9m in the three months since June. Penna Resourcing employs approximately 60 people based both in Penna's offices and on-site at client premises.

As the economy recovers organisations will look for new and more effective ways to recruit the best people and our Resourcing business is well placed to continue to play a leading role in this important market sector. New and innovative methods of talent sourcing are being developed for a number of clients in anticipation of higher levels of recruitment activity next year.

Penna Executive Recruitment and Interim is a leading Public Sector Executive Search consultancy and its Executive Interim team is the second largest in the UK. Penna employs 50 people in this service group and reported revenues of £8.2m (2008: £9.2m) in the first half of the year. Our focus on the Public Sector through the recession has proved an effective strategy in maintaining volumes and we intend to expand business in commercial sectors as markets improve.

Penna HR Consulting is a leader in Organisational Design, Executive Coaching, Leadership Development and is the UK's largest Career Transition consultancy. Penna provides consultancy services across a broad range of sectors including financial services (40% of revenues), the public sector (11%), telecoms and technology (19%). Services are procured by HR Directors normally on a project basis under preferred supplier agreements that are typically renewed every two to three years.

The service group employs approximately 230 people located in London and the regions and in the first half of the year reported revenues up 15% at £18.4m (2008: £16.0m). The majority of Penna's consultancy services are delivered by highly skilled, Penna trained, self employed associates. These associates enable the company to meet the specific needs of clients as demand changes and, together with the use of temporary office space and the extensive use of technology ensures the business maintains a flexible cost structure.

Demand for Career Transition services is driven by the continuing process of change in industry, commerce and public sector. Employees must be efficiently transferred from declining activities into growing businesses and services. Penna consultants work with redundant employees to bring them to an understanding of new opportunities and facilitate their entry into new fields.

This activity continues through periods of healthy economic expansion and is particularly marked at times of high levels of merger and acquisition activity. During periods of recession however, there is an additional factor that is the necessity for organisations to downsize in response to falling demand. As a result our Career Transition business is somewhat protected from any cyclical drop in demand for recruitment related businesses.

Board Changes

We announced on 24th September that David Banks had stepped down after 14 years as a Director of the Company. I would like to take this opportunity to thank David Banks for his long and valuable contribution to Penna.

Outlook

HR Consulting will continue to see strong demand for its outplacement services during the recession and experience of the 1990/91 and 2001/02 periods suggests that demand will remain at a high level for two or more years after economic recovery begins. Because outplacement is 25% of Penna's turnover its contribution to Group profits will continue to be significant.

Over the same period the 75% of our business that is focussed on recruitment and related services can be expected to enjoy slow but steady recovery from the current low levels of market demand. However, we are not anticipating rapid growth of recruitment and we have ensured that our cost structure reflects fully the realities of today's markets. We expect all of our service groups to trade profitably at current levels of turnover.

We can, of course, look forward to a time of strong economic recovery and if at that time there is some flattening out of the demand for our outplacement services this will be more than offset by the

growth of our recruitment and related businesses. Because our cyclical recruitment business is three times bigger than our counter cyclical outplacement business we can be confident that Penna will be a major beneficiary of the upturn when it comes.

Meanwhile we can expect that our profitability and cash generation will allow us to take advantage of opportunities to make further acquisitions of substantial companies in the Human Resource sector.

The Group has been successfully reorganised to accommodate the acquisition of the Barkers business in the first half of the year and is focussed on delivering profitable growth in each of the new service groups.

Stephen Rowlinson

Chairman

3 November 2009

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**Consolidated statement of comprehensive income
for the six months ended 30 September 2009 (unaudited)**

| | Notes | Six Months Ended 30 September 2009 Unaudited £'000 | Six Months Ended 30 September 2008 Unaudited Restated * £'000 | Year Ended 31 March 2009 Audited £'000 |
|--|-------|---|---|---|
| Continuing operations | | | | |
| Revenue | | 48,423 | 28,814 | 63,162 |
| Normal operating expenses | | (44,964) | (26,588) | (57,276) |
| Normal operating profit | | 3,459 | 2,226 | 5,886 |
| Non-recurring post acquisition expenses | 2 | (996) | - | - |
| Operating profit | | 2,463 | 2,226 | 5,886 |
| Finance income | | 16 | 66 | 141 |
| Finance costs | | (1) | (4) | (24) |
| Profit before tax | | 2,478 | 2,288 | 6,003 |
| Tax expense | 3 | (840) | (642) | (1,497) |
| Profit from continuing operations | | 1,638 | 1,646 | 4,506 |
| Post tax loss on disposal of discontinued activities | | - | (107) | (788) |
| Profit for the period | | 1,638 | 1,539 | 3,718 |
| Other comprehensive income: | | | | |
| Currency translation differences | | (47) | (123) | (129) |
| Total comprehensive income for the period | | 1,591 | 1,416 | 3,589 |
| Attributable to: | | | | |
| Equity holders of the parent | | 1,638 | 1,539 | 3,718 |
| Earnings per share: | 4 | | | |
| Basic | | 6.5p | 6.1p | 14.8p |
| Diluted | | 6.0p | 6.0p | 14.2p |
| Earnings per share from continuing operations before non-recurring acquisition expenses: | 4 | | | |
| Basic | | 9.4p | 6.5p | 17.9p |
| Diluted | | 8.6p | 6.4p | 17.1p |

* The comparative figures have been restated for discontinued operations

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**Consolidated balance sheet
at 30 September 2009 (unaudited)**

| | 30 September 2009 £'000 | 30 September 2008 £'000 | 31 March 2009 £'000 |
|---------------------------------------|--|-------------------------------|---------------------------|
| Non-current assets | | | |
| Goodwill | 17,802 | 14,036 | 14,036 |
| Tangibles | 2,695 | 1,667 | 1,823 |
| Intangibles – software | 167 | 24 | 24 |
| Deferred tax | 75 | 24 | 75 |
| | 20,739 | 15,751 | 15,958 |
| Current assets | | | |
| Trade debtors | 17,781 | 10,748 | 12,672 |
| Other current assets | 3,177 | 2,290 | 2,419 |
| Cash and short term deposits | 6,657 | 5,149 | 8,875 |
| | 27,615 | 18,187 | 23,966 |
| Total assets | 48,354 | 33,938 | 39,924 |
| Current liabilities | | | |
| Trade creditors | 5,215 | 2,303 | 2,520 |
| Loan notes | 24 | 111 | 41 |
| Obligations under finance leases | - | 42 | - |
| Provisions | 88 | 129 | 78 |
| Corporation tax | 906 | 753 | 838 |
| Other creditors and accruals | 17,737 | 9,434 | 13,840 |
| | 23,970 | 12,772 | 17,317 |
| Non-current liabilities | | | |
| Provision for liabilities and charges | 495 | 390 | 458 |
| Total liabilities | 24,465 | 13,162 | 17,775 |
| Net assets | 23,889 | 20,776 | 22,149 |
| Capital and reserves | | | |
| Called up share capital | 1,289 | 1,264 | 1,270 |
| Share premium account | 15,620 | 15,109 | 15,209 |
| Merger reserve | 10,170 | 10,170 | 10,170 |
| Employee Share Option Plan reserve | (767) | (397) | (397) |
| Foreign currency translation reserve | (173) | (120) | (126) |
| Retained loss | (2,250) | (5,250) | (3,977) |
| Total equity | 23,889 | 20,776 | 22,149 |

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**Consolidated statement of changes in equity
at 30 September 2009 (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 2008 | 1,264 | 15,109 | 10,170 | (397) | 3 | (6,818) | 19,331 |
| Currency translation differences | - | - | - | - | (123) | - | (123) |
| Profit | - | - | - | - | - | 1,539 | 1,539 |
| Total comprehensive income or the period | - | - | - | - | (123) | 1,539 | 1,416 |
| Share option credit | - | - | - | - | - | 29 | 29 |
| At 30 September 2008 | 1,264 | 15,109 | 10,170 | (397) | (120) | (5,250) | 20,776 |
| Currency translation differences | - | - | - | - | (6) | - | (6) |
| Profit | - | - | - | - | - | 2,179 | 2,179 |
| Total comprehensive income or the period | - | - | - | - | (6) | 2,179 | 2,173 |
| Share issue | 6 | 100 | - | - | - | - | 106 |
| Equity dividend paid | - | - | - | - | - | (1,007) | (1,007) |
| Share option credit | - | - | - | - | - | 101 | 101 |
| At 31 March 2009 | 1,270 | 15,209 | 10,170 | (397) | (126) | (3,977) | 22,149 |
| Currency translation differences | - | - | - | - | (47) | - | (47) |
| Profit | - | - | - | - | - | 1,638 | 1,638 |
| Total comprehensive income or the period | - | - | - | - | (47) | 1,638 | 1,591 |
| Share issue | 19 | 411 | - | - | - | - | 430 |
| Shares purchased | - | - | - | (370) | - | - | (370) |
| Share option credit | - | - | - | - | - | 89 | 89 |
| At 30 September 2009 | 1,289 | 15,620 | 10,170 | (767) | (173) | (2,250) | 23,889 |

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**Consolidated group cash flow statement
for the six months ended 30 September 2009 (unaudited)**

| | Note | Six Months Ended 30 September 2009 £'000 | Six Months Ended 30 September 2008 £'000 | Year Ended 31 March 2009 £'000 |
|---|------|---|--|--|
| Cash flows from operating activities | | | | |
| Cash generated by operations | 6a | 8,044 | 2,240 | 7,915 |
| Tax paid | | (743) | (1) | (605) |
| Interest received – bank interest | | 15 | 69 | 122 |
| Net cash generated by operating activities | | 7,316 | 2,308 | 7,432 |
| Cash flows from investing activities | | | | |
| Net purchase of property, plant and equipment | | (1,059) | (67) | (454) |
| Purchase of financial assets held for trading | | (8,888) | - | - |
| Net cash used by investing activities | | (9,947) | (67) | (454) |
| Cash flows from financing activities | | | | |
| Interest paid – finance leases | | - | (3) | (5) |
| Repayment of finance leases | | - | (50) | (88) |
| Repayment of loan notes | | (17) | - | (70) |
| Issue of ordinary share capital | | 430 | - | 106 |
| Dividends paid | | - | - | (1,007) |
| Net cash generated/(used) by financing activities | | 413 | (53) | (1,064) |
| Net (decrease)/increase in cash and cash equivalents | | (2,218) | 2,188 | 5,914 |
| Cash and cash equivalents at start of period | | 8,875 | 2,961 | 2,961 |
| Cash and cash equivalents at end of period | 6b | 6,657 | 5,149 | 8,875 |

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Notes to the interim financial statements for the six months ended 30 September 2009 (unaudited)

1. Accounting policies

The consolidated interim financial statements are for the six months ended 30 September 2009. 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 have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board

2. Non-recurring post acquisition expenses

Non-recurring post acquisition expenses comprise items incurred by the Group in integrating the trade and assets of the Barkers Group purchased on 29 June 2009. They are highlighted in the income statement because separate disclosure is considered relevant in understanding the underlying performance of the business. The highlighted items arise from redundancy expenses, surplus property and other costs.

| | Six Months Ended 30 September 2009 | Six Months Ended 30 September 2008 | Year Ended 31 March 2009 |
|-----------------|---|---|-----------------------------------|
| | £'000 | £'000 | £'000 |
| Non recurring: | | | |
| Personnel costs | 480 | - | - |
| Property costs | 325 | - | - |
| Other costs | 191 | - | - |
| Total | 996 | - | - |

3. Taxation

Taxation has been provided for at a corporation tax rate of 28% (2009:28%), for the UK and appropriate rates for overseas earnings.

4. Earnings per share

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

| | Six months ended 30 September 2009 | Six months ended 30 September 2008 | Year ended 31 March 2009 |
|--|---|---|-----------------------------------|
| Earnings (£'000) | | | |
| Profit for the period | 1,638 | 1,539 | 3,718 |
| Loss on disposal of discontinued activities (after tax) | - | 107 | 788 |
| Non-recurring post acquisition expenses (after tax) | 717 | - | - |
| Profit from continuing operations and before non-recurring acquisition expenses | 2,355 | 1,646 | 4,506 |
| Profit for the period (£'000) | 1,638 | 1,539 | 3,718 |
| Number of shares | | | |
| Weighted average number of Shares | 25,118,822 | 25,173,348 | 25,184,491 |
| Dilution effect of share option Schemes | 2,144,229 | 515,572 | 1,093,230 |
| Diluted weighted average number of Shares | 27,263,051 | 25,688,920 | 26,277,721 |
| Earnings per share: | | | |
| Basic | 6.5p | 6.1p | 14.8p |
| Diluted | 6.0p | 6.0p | 14.2p |
| Earnings per share from continuing operations and before non-recurring acquisition expenses: | | | |
| Basic | 9.4p | 6.5p | 17.9p |
| Diluted | 8.6p | 6.4p | 17.1p |

5. Dividends

An interim dividend of 3 pence per Ordinary is proposed (2008: 2p) for the six months ended 30 September 2009. This will be paid on 5 February 2010 to shareholders on the register on 5 March 2010.

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**Notes to the interim financial statements (continued)
for the six months ended 30 September 2009 (unaudited)**

| 6a. Reconciliation of operating profit to net cash outflow from operating activities | Six Months Ended 30 September 2009 £'000 | Six Months Ended 30 September 2008 £'000 | Year Ended 31 March 2009 £'000 |
|---|---|---|-----------------------------------|
| Profit for the period | 1,638 | 1,539 | 3,718 |
| Adjustments for: | | | |
| Loss on disposal of discontinued operations | - | 107 | 788 |
| Income tax expense | 840 | 642 | 1,497 |
| Finance income | (16) | (66) | (141) |
| Finance expense | 1 | 4 | 24 |
| Depreciation and amortisation | 311 | 258 | 495 |
| Share option expense | 89 | 29 | 130 |
| Changes in working capital: | | | |
| Decrease/(increase) in trade and other receivables | 2,960 | 21 | (2,032) |
| Increase/(decrease) in trade and other payables | 2,236 | (309) | 3,404 |
| Increase/(decrease) in provisions | (15) | 15 | 32 |
| Cash generated by operations | 8,044 | 2,240 | 7,915 |

| 6b. Cash and cash equivalents | At 30 September 2009 £'000 | At 30 September 2008 £'000 | At 31 March 2009 £'000 |
|---|---------------------------------------|-------------------------------|---------------------------|
| Cash and cash equivalents are made up as follows: | | | |
| Net cash | 6,633 | 5,038 | 8,834 |
| Cash on restricted deposit | 24 | 111 | 41 |
| Cash and cash equivalents | 6,657 | 5,149 | 8,875 |

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Notes to the interim financial statements (continued) for the six months ended 30 September 2009 (unaudited)

| | 30 September 2009 £'000 | 30 September 2008 £'000 | 31 March 2009 £'000 |
|---------------------------------------|--|-------------------------------|---------------------------|
| 7. Other payables and accruals | | | |
| Delivery | 7,200 | 2,492 | 3,228 |
| Staff related | 577 | 775 | 1,621 |
| Overheads | 3,055 | 1,354 | 1,432 |
| Other | 2,267 | 1,825 | 2,847 |
| Deferred income | 2,904 | 1,676 | 3,082 |
| Other taxes and social security | 1,734 | 1,312 | 1,630 |
| Total | 17,737 | 9,434 | 13,840 |

8. Goodwill and intangible assets

Following the acquisition of Barkers an exercise to identify and assess the value of intangible assets acquired will be carried out.

Any value identified for intangible assets following this review will be separated from goodwill and amortised over the intangible assets' useful economic life.

9. Nature of the financial information

The financial information for the period ended 30 September 2009 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 March 2009 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for 2009 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 237(2) or 237(3) of the Companies Act 1985.

The Board of Directors approved the Interim Report on 3rd November 2009. The financial information in respect of the six months to 30 September 2009 is unaudited.