

PENNA CONSULTING PLC ANNOUNCES FULL YEAR RESULTS

7 June 2007

Penna Consulting Plc (PNA) the Human Capital Management Consultancy group today announces its final results for the year ended 31 March 2007.

Headlines

- **Recovery in profit in second half**
- **Net revenues* up 11.5% in second half**
- **Operating costs reduced by £2.8m on annualised basis**
- **Profit of £1.0m before redundancy costs of £0.4m**
- **Profit before tax £0.6m**
- **Net cash of £1.5m at year end (2006: net debt £4.4m)**

*Turnover less pass through costs

Commenting on the results, Stephen Rowlinson, Chairman said:

“The Group has returned to profit in the second half of the year through a combination of the cost reduction programme initiated last summer and a modest increase in revenues. The Group is well placed to take advantage of any improvement in the outplacement market and our other businesses are expected to continue their growth.”

For further information please contact:

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Chairman's Review

The Group has returned to profit in the second half of the year through a combination of the cost reduction programme initiated last summer and a modest increase in revenues. The Group is well placed to take advantage of any improvement in the outplacement market and our other businesses are expected to continue their growth.

Financial Review

First Half & Second Half Analysis	Six months to 30 September 2006	Six months to 31 March 2007	Year to 31 March 2007
	£'000	£'000	£'000
Net Revenues *	14,650	16,338	30,988
Net costs of operations +	(15,648)	(14,327)	(29,975)
(Loss)/profit before redundancy costs	(998)	2,011	1,013
Redundancy costs	-	(441)	(441)
(Loss)/ profit before tax	(998)	1,570	572

*Turnover less pass through costs

+Operating costs and finance costs less pass through costs and redundancy costs

Turnover in the year at £43.4m was at a similar level to last year (2006 £44.6m) however underlying net revenues (turnover net of pass through costs) reduced by 4.8% from £32.6m to £31.0m. Net revenues in the second half of the year grew by 11.5% over the first half.

The benefit of the cost reduction actions taken last summer were fully realised in the second half of the year and consequently net costs of operations were £1.3m lower than in the first half. As a result we are pleased to report a significantly improved second half profit of £2.0m (before redundancy costs) compared to a first half loss of £1.0m.

Profit before tax for the year as a whole amounted to £1.0m before redundancy related costs of £0.4m.

In October the Company moved from the Full List to AIM. The AIM market is more appropriate to an organisation of Penna's size and nature and we have seen the benefits in terms of costs and regulatory regime. At the same time the Company completed a placing of 5.7m ordinary shares at 70 pence and this, together with improved working capital management meant that the Group had net cash of £1.5m at 31 March 2007. (2006 net debt of £4.4m).

Net revenues by service line

	2007	2006
	£'000	£'000
Career Transition	16,313	19,224
Executive Recruitment	5,005	5,590
Executive Interim	2,454	3,140
Recruitment Communications	667	212
Leadership Development	2,839	2,309
HR Consulting	4,008	2,273
Intercompany sales	(298)	(190)
Total net revenues	30,988	32,558
Total turnover	43,379	44,602

Operational review

Career Transition continues to operate in a quiet market as the UK economy remains strong and net revenues were down 15.1% on the previous year. A change in the leadership of this division, refocusing of the sales teams and the introduction of new services meant that the second half was stronger than the first and in particular the fourth quarter saw a series of new large contracts won from the competition. The benefits of these contracts in revenue terms will be realised in the new financial year. We believe we are well placed to take advantage of any upturn in the market in the current year.

Net revenue of our Executive Recruitment business was down 10.5%. Action has been taken to improve the performance of this business in the UK with the recruitment of new senior consultants.

Executive Interim revenues improved through the year and second half net revenues were up by 26.8% compared to the first half. We expect this business to grow further from this strong base.

We continue to invest in our Recruitment Communications business which incurred a small operating loss of £0.4m. Recent wins in both the public and commercial sectors are bringing us closer to the point at which this new business will contribute to group profits.

The first half trend of strong revenue growth in our HR Consulting and Leadership Development businesses continued throughout the second half. Combined revenues of £6.8m for the year are up 49.4% compared to £4.6m in the previous year. We completed a substantial assessment assignment in India during the year and this has created opportunities for us there which we are currently evaluating. Demand for Leadership Development remains strong and during the year we launched a new service in managed coaching to support larger organisations seeking to maximise their return on investments in coaching.

Our International businesses in Europe (with offices in Dublin, Paris, Stockholm and Madrid) performed well increasing their net revenues by 30.5% in the year.

Outlook

The year saw us consolidate our position and results after the significant restructuring of the previous year. We have established an appropriate and flexible cost structure and we are now looking forward to profitable growth in each of our core businesses.

Stephen Rowlinson
Chairman
7 June 2007

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**Consolidated income statement
for the year ended 31 March 2007 (unaudited)**

	Notes	Year Ended 31 March 2007	Year Ended 31 March 2006
		£'000	£'000
Turnover		43,379	44,602
Operating costs		(42,823)	(43,177)
Decrease in surplus property provision		176	960
Operating profit		732	2,385
Finance costs		(160)	(288)
Profit on disposal of fixed asset investment		-	308
Share of profit from associate		-	183
Profit before tax		572	2,588
Tax	2	-	(442)
Profit for the year		572	2,146
Attributable to:			
Equity holders of the parent		572	2,146
Earnings per share:	3		
- basic		2.58p	11.2p
- diluted		2.58p	11.1p

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**Consolidated balance sheet
at 31 March 2007 (unaudited)**

	Note	31 March 2007 £'000	31 March 2006 £'000
Non-current assets			
Property, plant and equipment		1,972	2,270
Goodwill		14,036	14,036
Other intangible assets – software		50	75
		16,058	16,381
Current assets			
Trade receivables		9,981	11,173
Other current assets		1,880	2,432
Deferred tax		77	35
Cash and cash equivalents	5b	3,218	2,117
		15,156	15,757
Total assets		31,214	32,138
Current liabilities			
Trade payables		2,667	2,824
Bank loans and overdrafts		1,200	4,386
Loan notes		431	2,462
Obligations under finance lease		94	84
Provisions		125	210
Corporation tax		8	-
Other creditors and accruals		7,964	7,691
		12,489	17,657
Non-current liabilities			
Bank loan		300	-
Obligations under finance leases		88	183
Provisions		272	263
Other creditors and accruals		116	182
		776	628
Total liabilities		13,265	18,285
Net assets		17,949	13,853
Capital and reserves			
Called up share capital		1,264	978
Share premium account		15,109	11,899
Merger reserve		10,170	10,170
Employee Share Option Plan reserve		(397)	(397)
Share option reserve		276	272
Foreign currency translation reserve		66	42
Retained loss		(8,539)	(9,111)
Total equity		17,949	13,853

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**Consolidated statement of changes in equity
at 31 March 2007 (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
At 1 April 2006	978	11,899	10,170	(397)	272	42	(9,111)	13,853
Share issue	286	3,210	-	-	-	-	-	3,496
Currency translation differences	-	-	-	-	-	24	-	24
Profit	-	-	-	-	-	-	572	572
Share option charge	-	-	-	-	4	-	-	4
Equity dividends	-	-	-	-	-	-	-	-
At 31 March 2007	1,264	15,109	10,170	(397)	276	66	(8,539)	17,949
At 1 April 2005	961	11,701	10,170	(397)	212	40	(10,715)	11,972
Impact of IAS 39/32 adoption	-	-	-	-	-	-	(542)	(542)
Share issue	17	198	-	-	-	-	-	215
Currency translation differences	-	-	-	-	-	2	-	2
Profit	-	-	-	-	-	-	2,146	2,146
Share option charge	-	-	-	-	60	-	-	60
At 31 March 2006	978	11,899	10,170	(397)	272	42	(9,111)	13,853

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**Consolidated group cash flow statement
for the year ended 31 March 2007 (unaudited)**

	Year Ended 31 March 2007 £'000	Year Ended 31 March 2006 £'000
Cash flows from operating activities		
Cash generated/(used) by operations	5a 2,238	(2,388)
Tax refunded	45	428
Interest paid – bank overdraft	(160)	(241)
Net cash generated/(used) by operating activities	2,123	(2,201)
Cash flows from investing activities		
Net purchase of property, plant and equipment	(266)	(1,356)
Sale of investment	750	2,250
Net cash generated by investing activities	484	894
Cash flows from financing activities		
Interest paid – finance leases	-	(35)
Repayment of finance leases	(85)	(75)
Repayment of loan notes	(2,031)	(342)
Issue of ordinary share capital	3,496	210
New bank loan received	2,250	-
Bank loan repaid	(750)	-
Net cash from/(used in) financing activities	2,880	(242)
Net increase/(decrease) in cash and cash equivalents	5,487	(1,549)
Cash and cash equivalents at start of period	(2,269)	(720)
Cash and cash equivalents at end of period	5b 3,218	(2,269)

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Notes to the preliminary announcement for the year ended 31 March 2007 (unaudited)

1. Accounting policies

The unaudited preliminary consolidated financial statements are for the year ended 31 March 2007. They have been prepared under the historical cost convention, except for certain financial instruments, using accounting policies that are consistent with current International Financial Reporting Standards (IFRS). The financial statements are unaudited.

2. Taxation

Taxation has been provided for at 30% (2006: 30%), for the UK and appropriate rates for overseas earnings. No tax charge arose during the year due to the utilisation of brought forward losses.

3. Earnings per share

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

	Year ended 31 March 2007	Year ended 31 March 2006
Earnings		
Profit for the year (£'000)	572	2,146
Number of shares		
Weighted average number of Shares	22,151,821	19,198,919
Dilution effect of share option Schemes	0	346,464
Diluted weighted average number Of Shares	22,151,821	19,545,383
Earnings/(loss) per share:		
Basic	2.58p	11.2p
Diluted	2.58p	11.1p

4. Dividends

No dividend was proposed (2006: nil) for the year ended 31 March 2007.

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**Notes to the preliminary announcement (continued)
for the year ended 31 March 2007 (unaudited)**

5a. Reconciliation of operating profit/(loss) to cash (used)/generated by operating activities	Year Ended 31 March 2007 £'000	Year Ended 31 March 2006 £'000
Operating profit	732	2,385
Adjustments for:		
Depreciation	509	558
Loss on disposal of fixed assets	80	-
Share option expense	4	60
Changes in working capital:		
Decrease/(Increase) in trade and other receivables	995	(826)
Increase/(Decrease) in trade and other payables	94	(3,605)
Surplus property provision reversed	(176)	(960)
Cash generated/(used) by operations	2,238	(2,388)
	At 31 March 2007 £'000	At 31 March 2006 £'000
5b. Cash and cash equivalents		
Cash and cash equivalents are made up as follows:		
Cash at bank/(Bank overdraft)	3,019	(4,386)
Cash on restricted deposit	199	2,117
Cash and cash equivalents	3,218	(2,269)

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**Notes to the preliminary announcement (continued)
for the year ended 31 March 2007 (unaudited)**

6. Nature of the financial information

The Board of Directors approved the Preliminary Results on 7 June 2007.

The financial information set out in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information in respect of the year to 31 March 2007 is unaudited. Statutory accounts for the year ended 31 March 2006, on which the auditor's report was unqualified and did not contain a statement under s237(2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies. Copies can be obtained from our Registered Office at 3rd Floor, St Mary's Court, 20 St Mary at Hill, London EC3R 8EE.

The financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in July 2007.