

Company No: 3966328

PenMc plc

Annual report for the year ended 31 August 2006

PenMc plc

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Directors and Advisors

Non-Executive Chairman	Laurence A Turnbull
Finance Director	Stuart J Mollekin
Non-Executive Director	Brian J Willmott
Company Secretary	Stuart J Mollekin
Registered Office	Barton Hall Peel Green Manchester M30 7NB
Solicitors	Shammah Nicholls St. Johns Court 78 Gartside Street Manchester M3 3EL
Auditors	Tenon Audit Limited Registered Auditor Sumner House St Thomas's Road Chorley Lancashire PR7 1HP
Registrars	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA
Principal Bankers	National Westminster Bank Plc 11 Spring Gardens Manchester M60 2DB
Nominated Advisor and Broker	Zeus Capital Limited 3 Ralli Courts West Riverside Manchester M3 5FT
Company number	3966328

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Chairman's Statement

The Directors' activities have continued to be concentrated on the ongoing pursuit of prior year disposal issues and a number of administrative matters.

Total administrative expenses incurred in the year of £55,000 (2005: £66,000) have now been reduced to the bare minimum necessary to operate a public company. The cash at bank at the year end together with amounts received since the end of the financial year will finance the ongoing administrative expenses of the Group.

The Directors have been successful in the year in recovering amounts owing connected to the disposals of former subsidiaries over 3 years ago. The significant remaining issue, described in note 22 to the financial statements, is nearing conclusion and will represent an important achievement in bringing this matter to fruition over the last 3 years. However, whilst this matter remains outstanding, it remains a transitional period for the Group.

The Investment Strategy of the Company in the context of the current AIM rules, approved at the Annual General Meeting of the Company last year, is as follows:

The Directors will be actively seeking to invest in a company or business that is well positioned in a business sector with above average growth potential. The chosen business sector is likely to be in consumer services. The Directors have extensive experience of acquiring and managing both public and private companies and this experience will be used to carry out due diligence, supplemented by investigating accountants as appropriate, and to evaluate proposed investments.

In view of the unresolved matter referred to above, the Directors have, to date, been unable to implement the Investment Strategy. If the Company does not fulfil this Investment Strategy by 30 March 2007, then the Company's shares will be suspended as of 7.00 am on 2 April 2007. The Company's shares will continue to be suspended for 6 months from this date and in the event that the strategy is still unfulfilled after this time, the Company's listing on AIM will be cancelled.

Laurence A Turnbull
Non-Executive Chairman

PenMc plc

Report of the Directors For the year ended 31 August 2006

The Directors present their annual report and audited financial statements of the Company and the Group for the year ended 31 August 2006.

Principal activity

The principal activity of the Group was to act as a holding company.

Business review

During the year the Group did not trade although income was generated from a sundry project. Turnover in the year increased to £25,000 (2005: £2,000).

Administrative expenses relating to the ongoing administration of the Company declined by 35% to approximately £31,000, whilst non-recurring administrative expenses incurred in the year increased by £6,000 to £24,000. Ongoing expenses have now been reduced to approximately £20,000.

During the period, the Group received £56,000 (2005: £27,000) relating to adjustments in the consideration of the sale of subsidiary companies in previous financial years. This consideration has been shown as an exceptional item in note 5 to the financial statements.

At the year end the Company had shareholders funds of approximately £3,000. The directors believe the Group's position to be satisfactory.

Results and dividends

The audited financial statements for the year ended 31 August 2006 are set out on pages 8 to 19. The Group profit for the year, after taxation, was £26,000 (2005: loss £37,000). The Directors are unable to recommend the payment of a dividend (2005: £nil).

Directors

The Directors who served during the year were as follows:

Laurence A Turnbull	Non-executive Chairman
Stuart J Mollekin	Finance Director
Eric J Cater	Non-executive director (resigned 31 January 2007)
Brian J Willmott	Non-executive director

Until his resignation on 31 January 2007, Eric Cater had acted as Non-executive Chairman. On that date, Laurence Turnbull, previously the Chief Executive, became the Non-Executive Chairman.

The Non-executive Directors are members of the audit and remuneration committees.

The Board of Directors at the date of this report is shown on page 1. The interests of the Directors in the shares of the Company are disclosed in note 7 to the financial statements.

Taxation

The Company is not a Close Company within the provisions of the Income and Corporation Taxes Act 1988.

Supplier payment policy

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Company at 31 August 2006 were equivalent to 123 (2005: 210) days purchases, based on the average daily amount invoiced by suppliers during the year.

Charitable and political contributions

During the year and the previous year the Group made no charitable or political donations.

PenMc plc

Report of the Directors For the year ended 31 August 2006

Financial instruments risk management objectives and policies

The Group makes little use of financial instruments other than an operational bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the Group.

Substantial shareholdings

On 27 February 2007, the Directors are aware of the following interests in shares amounting to 3% or more of the issued ordinary share capital of the Company. There are no controlling shareholders.

Name of holder	Number	Percentage held
Robin Slinger	5,000,000	5.1%
John A Murray	4,639,655	4.7%
L R Nominees Limited	3,442,996	3.5%
Rock Nominees Limited	3,350,000	3.4%
Chase Nominees Limited	3,300,000	3.4%

Employees

The Group currently has one part time Executive Director. The Directors will implement appropriate employment policies for both able bodied and disabled employees as necessary when the Group develops.

Special business

The Notice of Meeting sent with these accounts includes two items of special business:

Resolution (v) is proposed as an Ordinary Resolution and Resolution (vi) is proposed as a Special Resolution.

Resolution (v) seeks to renew the Directors' general authority to allot share capital up to a maximum amount specified in the Notice of the meeting.

Resolution (vi) seeks to allow the Directors to disapply, to a limited extent, the existing shareholders' rights of pre-emption in respect of the Company's ordinary shares.

Website

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

The Directors will place a resolution before the annual general meeting to appoint Tenon Audit Limited as auditors for the ensuing year.

By order of the Board,

S J Mollekin, Secretary Barton Hall
27 February 2007 Peel Green
 Manchester M30 7NB

PenMc plc

Statement of Directors' Responsibilities

United Kingdom Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the company and the Group for that year. In preparing these financial statements the Directors are required to:

Select suitable accounting policies and then apply them consistently;

Make judgments and estimates that are reasonable and prudent;

State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

Disclosure of corporate governance is given on a voluntary basis, as it is not mandatory for an AIM listed company. The board includes two Non-executive Directors.

During the period that the Group is not trading, the Directors meet on an ad-hoc basis to discuss matters as they arise.

The board has appointed an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities. The Audit Committee, which comprises the Non-executive Directors, meets as necessary to consider all aspects of the Group's systems of internal control. In particular, the committee considers all reports from the external auditors and has the authority to review specific matters relating to internal control on an ad-hoc basis.

The Remuneration Committee comprises the Non-executive Directors and the Finance Director and meets when necessary. The Committee's principal role, when operating, is to determine the remuneration package of the Executive Directors and the remuneration policy for senior executives, including the issue of share options.

(i) Going Concern

In accordance with the guidance for listed companies "Going Concern and Financial Reporting", and after making appropriate enquires, the Directors have concluded, at the time of approving the financial statements, that it is appropriate to continue to adopt the going concern basis in preparing these financial statements. This is based on the Directors' opinion that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Further details are set out in Note 2 to the financial statements.

(ii) Internal control

Maintenance of a sound system of internal controls

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 operation, internal financial control and compliance with laws and regulations. The system of internal control is designed to manage rather than eliminate the risk of failure to observe business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the period that the Group is not trading, the Directors consider that the control environment is suitable. The Directors monitor the affairs of the Group and Company very closely.

**PENMC PLC
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
YEAR ENDED 31 August 2006**

We have audited the group and parent company financial statements ("the financial statements") of PenMc Plc on pages 8 to 19 for the year ended 31 August 2006 which have been prepared under the historic cost convention. These financial statements have been prepared under the accounting policies set out therein.

The report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 5 the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report, the Chairman's Statement 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.

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group'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.

PENMC PLC
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS *continued*
YEAR ENDED 31 August 2006

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and group's affairs as at 31 August 2006 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter – going concern

In forming our opinion we have considered the adequacy of disclosures in note 2 concerning the future cash flows from deferred consideration that may become receivable in respect of subsidiaries disposed of in prior periods. The financial statements have been prepared on a going concern basis, the validity of which depends on those cash flows being adequate to meet the Group's existing liabilities and future administration expenses. The financial statements do not include any adjustments that would result if the cash flows were inadequate to satisfy those liabilities. Our opinion is not qualified in this respect.

Tenon Audit Limited
Registered Auditor
Sumner House
St. Thomas's Road
Chorley
PR7 1HP

27 February 2007

PenMc plc

Consolidated profit and loss account for the year ended 31 August 2006

	Notes	Year ended 31 August 2006 £'000	Year ended 31 August 2005 £'000
Turnover	1	25	2
Administrative expenses	2	(55)	(66)
Operating loss		(30)	(64)
Exceptional item-profit on disposal of discontinued operations	5	56	27
Net interest payable	3	-	-
Profit/(loss) on ordinary activities before taxation	4	26	(37)
- Profit/(loss) after exceptional items		26	(37)
Exceptional items			
- profit on disposal of discontinued operations	5	(56)	(27)
Loss on ordinary activities before exceptional items		(30)	(64)
Tax on profit/(loss) on ordinary activities	8	-	-
Profit retained/(loss sustained) for the year	18	26	(37)
Earnings/(loss) per share		Pence per share	
Basic earnings/(loss) per share	10	0.03	(0.04)
Loss per share excluding exceptional items	10	(0.03)	(0.06)

There are no recognised gains or losses other than the profit/(loss) for the year.

The accompanying notes are an integral part of this consolidated profit and loss account.

All operations are continuing.

PenMc plc

Balance sheets as at 31 August 2006

	Notes	2006 £'000	Group 2005 £'000	2006 £'000	Company 2005 £'000
Current assets					
Debtors	13	42	9	42	9
Investment – Loan note deposit	15	-	120	-	120
Cash at bank and in hand		19	43	19	43
		61	172	61	172
Creditors: amounts falling due within one year	14	(58)	(195)	(58)	(195)
Net current assets/(liabilities)		3	(23)	3	(23)
Net assets/(liabilities)		3	(23)	3	(23)
Capital and reserves					
Called-up share capital	16	981	981	981	981
Share premium account	17	20,113	20,113	20,113	20,113
Profit and loss account	17	(21,091)	(21,117)	(21,091)	(21,117)
Equity shareholders' funds/(deficit)	18	3	(23)	3	(23)

The accompanying notes are an integral part of these balance sheets.

The financial statements on pages 8 to 19 were approved by the Board of Directors on 27 February 2007 and signed on its behalf by:

S J Mollekin
Director

PenMc plc

Consolidated cash flow statement for the year ended 31 August 2006

	Note	2006 £'000	2005 £'000
Net cash outflow from operating activities	19	(43)	(52)
Returns on investment and servicing of finance			
Interest paid		(7)	(7)
Interest received		7	7
Net cash outflow from returns on investments and servicing of finance		-	-
Taxation		-	-
Capital expenditure and financial investment		-	-
Net cash inflow from capital expenditure and financial investment		-	-
Acquisitions and disposals			
Disposal of subsidiary undertakings	5	19	27
Net cash inflow from disposal of subsidiary undertakings		19	27
Decrease in cash in the year		(24)	(25)

The accompanying notes are an integral part of this cash flow statement.

PenMc plc

Statement of Accounting Policies 31 August 2006

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and preceding period.

Basis of accounting

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

Basis of consolidation

The Group financial statements consolidate the financial statements of PenMc plc and its subsidiary undertakings drawn up to 31 August each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Turnover

Turnover represents charges for services provided in the normal course of business.

Derivative financial instruments

The Group is not significantly exposed to the effects of exchange rate fluctuations since all income and costs are denominated in sterling.

The Group does not enter into derivative transactions and does not trade in financial instruments.

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Notes to Financial Statements 31 August 2006

1 Segmental information

All turnover is derived from a single class of business. All turnover originates from and has its destination in the United Kingdom.

2 Administrative expenses

An element of administrative expenses relate to the ongoing administration of the company. In the year ended 31 August 2006 these amounted to approximately £31,000 (2005 approximately £48,000). The remainder of administrative expenses incurred in the year ended 31 August 2006, totalling £24,000 (2005: £18,000), are non-recurring. Ongoing expenses have now been reduced to approximately £20,000.

In view of the balance sheet position at 31 August 2006, the Directors have reviewed future cash flows to assess whether funds will be available to finance the ongoing administrative expenses and the existing liabilities of the Group. The Directors have reviewed cash flows for a period of 12 months from the date of approval of these financial statements and are confident that funds will be available to allow the Group to continue to operate. In particular, the Directors are confident that further funds will be received in respect of prior year disposals and, as described in note 22, are currently pursuing further consideration in respect of the Benson McGarvey sale.

3 Net interest payable

	2006	2005
	£'000	£'000
Interest payable and similar charges		
Interest on loan notes	(2)	(7)
Interest receivable and similar income	2	7
	-	-

4 Profit/(loss) on ordinary activities before taxation

	2006	2005
	£'000	£'000
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting) :		
Profit on sale of discontinued operations	(56)	(27)
Auditors' remuneration:		
- audit services (Company – 2006 £3,000; 2005 £3,000)	3	3
- non-audit services (Company – 2006 £1,000; 2005 £1,000)	1	1

5 Exceptional items

Exceptional items related to adjustments to consideration in respect of the sale of subsidiary companies in the previous financial years and are shown in the table below:

	2006	2005
	£'000	£'000
Profit relating to disposals in prior year	(56)	(27)

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Notes to Financial Statements 31 August 2006

6 Staff costs

The average monthly number of employees (including executive directors) during the year was:

	2006 Number	2005 Number
Administration	2	2
	2	2
Their aggregate remuneration comprised:	£'000	£'000
Wages and salaries	17	-
Social security costs	2	-
	19	-

7 Directors' remuneration, interests and transactions

The total amounts for Directors' remuneration and other benefits were as follows:

	Fees/Basic Salary £'000	Taxable Benefits £'000	2006 £'000	2005 £'000
Directors' emoluments				
Executive				
Laurence A Turnbull	-	-	-	-
Stuart J Mollekin	17	-	17	-
	17	-	17	-
Non-executive				
Eric J Cater	-	-	-	-
Brian J Willmott	-	-	-	-
	-	-	-	-
Aggregate emoluments	17	-	17	-

Directors' warrants

Warrants to acquire ordinary shares in the company granted to or held by the directors are as follows:

Name of Director	1 September 2005	Granted	Exercised	Lapsed	31 August 2006	Exercise Price	Exercise Period
Eric J Cater	240,000	-	-	-	240,000	25p	19/7/00 to 19/7/10

The warrants in respect of Eric J Cater shown above have been granted to Hemsign Limited. There was no change in the warrants at either 27 February 2006 or 27 February 2007.

PenMc plc

Notes to Financial Statements 31 August 2006

Directors' interests

The Directors who held office at 31 August 2006 had the following beneficial interests in the 1p ordinary shares of the company:

	31 Aug 2006 & 27 Feb 2006	31 Aug 2005
Laurence A Turnbull	73,837	73,387
Eric J Cater	120,000*	120,000*

* Excludes warrants shown above.

8 Tax on profit/(loss) on ordinary activities

	2006 £'000	2005 £'000
The tax charge comprises		
Current tax		
UK Corporation tax	-	-
Deferred tax		
Total deferred tax	-	-
Total tax on profit/(loss) on ordinary activities	-	-

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax is as follows:

	2006 £'000	2005 £'000
Group profit/(loss) on ordinary activities before tax	26	(37)
Tax rate of 30% (2005: 30%)	8	(11)
Effects of :		
Expenses not deductible for tax purposes	-	2
Losses to carry forward/utilisation of losses	9	17
Disposal of discontinued operations	(17)	(8)
Group current tax charge for year	-	-

The Group earns its profits in the UK; therefore the tax rate used for tax on the profit/(loss) on ordinary activities is the standard rate for UK corporation tax, currently 30%. The Company has losses to carry forward of £685,000 (2005: £653,000).

The Group has an unprovided deferred tax asset, in respect of tax losses, totalling £205,000 (2005: £196,000). The Directors have not recognised this asset due to uncertainty over the likelihood of its recoverability in the foreseeable future.

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Notes to Financial Statements

31 August 2006

9 Profit/(loss) attributable to PenMc plc

The profit/(loss) for the year dealt with in the financial statements of the parent company, PenMc plc, was £26,000 (2005: loss £37,000). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

10 Earnings/(loss) per share

The calculations of earnings/(loss) per share based on the following profits/(losses) and numbers of shares:	2006 £'000	2005 £'000
Profit/(loss) on ordinary activities after taxation	26	(37)
Exceptional items		
- profit on disposal of discontinued operations	(56)	(27)
Loss before exceptional items	(30)	(64)
	Number	Number
Weighted average number of shares	98,147,196	98,147,196
For diluted earnings/(loss) per share	98,147,196	98,147,196
	Pence per share	Pence per Share
Basic	0.03	(0.04)
Loss per share excluding exceptional items	(0.03)	(0.06)
Diluted	0.03	(0.04)

The directors have presented alternative earnings per share figures to give a better indication of the long-term results of the business. FRS22 requires presentation of diluted earnings per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. Since it seems inappropriate to assume that option and warrant holders would act irrationally, no adjustment has been made to diluted earnings/(loss) per share for out-of-the-money share options and warrants. As there is no potential dilution, the basic and diluted earnings/(loss) per share figures are the same.

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Notes to Financial Statements
31 August 2006

11 Group subsidiary undertakings

The parent company has investments in the following subsidiary undertakings.

	Country of incorporation or principal address	Principal activity	Holding	%
Subsidiary undertakings				
Murray Management Group Limited	UK	Dormant	£1 ordinary shares	100
MaxDelta Limited	UK	Dormant	£1 ordinary shares	100
Kingsbridge Advisors Limited *	UK	Non- trading	£1 ordinary shares	100

* Shares held by Murray Management Group Limited. On 30 March 2004, Kingsbridge Advisors Limited entered administrative receivership and is now in process of being liquidated.

12 Fixed asset investments

Company Investment	2006 £'000	2005 £'000
Cost		
At 1 September & 31 August	2,717	2,717
Depreciation		
At 1 September & 31 August	2,717	2,717
Net book value		
At 31 August	-	-

13 Debtors

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Amounts falling due within one year:				
VAT recoverable	2	2	2	2
Other debtors	37	5	37	5
Prepayments and accrued income	3	2	3	2
	42	9	42	9

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Notes to Financial Statements 31 August 2006

14 Creditors: Amounts falling due within one year

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Loan notes	-	120	-	120
Trade creditors	50	65	50	65
Accruals and deferred income	8	10	8	10
	58	195	58	195

Loan notes amounting to £nil (2005: £120,000) were issued as part of the consideration for previous acquisitions. There was no fixed date for repayment of the loan notes valued at £120,000. However, the earliest date the capital could be recalled was 31 December 2002 while the latest date was 31 January 2006. The interest rate was 4% per annum. These loan notes were guaranteed by National Westminster Bank plc. The bank held security over the Group's deposits with them amounting to the outstanding amount of loan notes and would only release those deposits on receipt of a signed loan note redemption form in order to allow the redemption to take place. These loan notes were redeemed in full on 31 December 2005.

15 Derivatives and other financial instruments

The Group finances its operations through retained profits and bank deposits, together with trade debtors and trade creditors that arise directly from its operations. The objective is to ensure that the Group's operations are properly financed at an appropriate cost, and that adequate liquidity is maintained. The Group does not enter into derivative transactions and does not trade in financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Group is not exposed to the effects of fluctuations in exchange rates since it is not currently trading. The Board reviews and agrees policies for managing these risks and they are summarised below.

Interest rate risk

The Group had no borrowings other than loan notes which were redeemed in full on 31 December 2005 and holds surplus cash to meet day-to-day requirements on low risk, short-term deposits with reputable financial institutions.

Liquidity risk

The Group manages its working capital which provides short-term flexibility to meet fluctuations in the amount or timing of future cash flows. As permitted by FRS13, short-term debtors and creditors have been excluded from the disclosures.

Financial assets

The Group has no financial assets at 31 August 2006 (2005 £120,000) (Company: £nil; 2005 £120,000).

Interest rate profile

The interest rate profile of the Group's financial liabilities at 31 August 2006 was as follows:

The interest rate on the loan notes of 4% per annum was fixed for the term of the notes. The repayment terms of the loan notes are disclosed in note 14. There is no material difference between the book value and fair value of the Group's financial assets and liabilities.

	Fixed rate	Fixed rate
	2006	2005
	£'000	£'000
Sterling loan notes – Group and Company	-	120

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Notes to Financial Statements 31 August 2006

16 Called-up share capital

Authorised	2006	2005
	£'000	£'000
144,000,000 (2005: 144,000,000) ordinary shares of 1p each	1,440	1,440
Allotted, called-up and fully paid		
98,147,196 (2005: 98,147,196) ordinary shares of 1p each	981	981

17 Reserves

Group	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 September 2005	20,113	(21,117)	(1,004)
Profit retained for the year	-	26	26
At 31 August 2006	20,113	(21,091)	(978)

Company	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 September 2005	20,113	(21,117)	(1,004)
Profit retained for the year	-	26	26
At 31 August 2006	20,113	(21,091)	(978)

18 Reconciliation of movements in equity shareholders' funds/(deficit)

Group and Company	2006	2005
	£'000	£'000
Profit/(loss) for the year	26	(37)
Net increase/(reduction) in equity shareholders' funds	26	(37)
Opening equity shareholders' (deficit)/funds	(23)	14
Closing equity shareholders' funds/(deficit)	3	(23)

19 Reconciliation of operating loss to operating cash flows

	2006	2005
	£'000	£'000
Operating loss	(30)	(64)
Decrease in debtors	4	19
Decrease in creditors	(17)	(7)
Net cash outflow from operating activities	(43)	(52)

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Notes to Financial Statements 31 August 2006

20 Analysis and reconciliation of net funds

	At 1 September 2005 £'000	Cash flow £'000	At 31 August 2006 £'000
Cash at bank and in hand	43	(24)	19
	43		
Investment – loan note deposit	120	(120)	-
Loan notes due within one year	(120)	120	-
Net funds	43	(24)	19

21 Analysis and reconciliation of net funds

	2006 £'000	2005 £'000
Decrease in cash in the year	(24)	(25)
Movement in net debt	(24)	(25)
Net funds at 1 September	43	68
Net funds at 31 August	19	43

22 Contingent assets

Subject to certain performance criteria there is further consideration of £290,000 due to the Group arising from the sale of the Benson McGarvey business, recorded in the accounts for the year ended 31 August 2003, which is expected to be satisfied within the next year. No amount has been included in these financial statements in respect of such consideration.

23 Related party transactions

Material contracts entered into by, or ongoing between, members of the Group and related parties are as follows:

A fee of £9,000 (2005: £36,000) paid to Exius Limited, a company of which Stuart Mollekin and Laurence Turnbull are directors, in respect of the provision of accountancy and management services. As at 31 August 2006, an amount was payable to Exius Limited of £nil (2005: £nil).

A fee of £25,000 (2005: £nil) charged to Noble Investments (UK) plc, a company of which Stuart Mollekin is a director, in respect of the provision of accountancy and management services. As at 31 August 2006, an amount was payable by Noble Investments (UK) plc £nil (2005: £nil).

The Company has taken advantage of the exemption available under Financial Reporting Standard No. 8 “Related Party Transactions” from disclosing transactions between the Company and other Group undertakings as all such transactions have been eliminated fully on consolidation in these financial statements.

PenMc plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventh Annual General Meeting of PenMc plc (the “Company”) will be held at the registered office; Barton Hall, Peel Green, Manchester, M30 7NB at 12.30 pm on Tuesday 27 March 2007 for the following purposes :

ORDINARY BUSINESS

- (i) To receive the Directors’ report and the audited financial statements for the year ended 31 August 2006.
- (ii) To re-elect S J Mollekin who retires by rotation in accordance with the Articles of Association of the Company.
- (iii) To reappoint Tenon Audit Limited as auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit to pass the following resolution as an ordinary resolution:

- (v) That the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (the “Act”) to exercise all the powers of the Company to allot relevant securities (as defined in Section 80 (2) of the Act) and subject to such terms as the Directors may determine. The maximum aggregate nominal amount of relevant securities which may be allotted pursuant to this authority shall be £327,157. The authority hereby conferred shall expire on the date which is 15 months after the date on which this resolution is passed, or if earlier, at the Annual General Meeting of the Company to be held in 2008 unless previously renewed, varied or revoked by the Company in general meeting save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. This authority shall be in substitution for and supersede and revoke any earlier such authority conferred on the Directors.

To consider and if thought fit pass the following resolution as a special resolution:

- (vi) That, subject to the passing of resolution (v) above, the Directors be and are hereby empowered pursuant to Section 95 (1) of the Act to allot equity securities (within the meaning of Section 94 (2) of the Act) for cash pursuant to the authority conferred by resolution (v) above as if Section 89 (1) of the Act did not apply to any such allotment, save that the Directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry, provided that such power be limited to:
 - (a) the allotment of equity securities in connection with a rights issue, open offer or other offer in favour of ordinary shareholders where the equity securities respectively attribute to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the Directors consider necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or any other matter whatsoever; and
 - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash up to an aggregate nominal value of £49,073 representing 5 per cent of the total ordinary share capital in issue as at the date of this notice.

PenMc plc

This authority shall expire on the date which is 15 months after the date on which this resolution is passed or, if earlier, at the conclusion of the Annual General Meeting to be held in 2008 save that the Company may before such expiry make such an offer or agreement which would or might require securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

S J Mollekin

Secretary

27 February 2007

Registered office:

Barton Hall

Peel Green

Manchester M30 7NB

Note

- 1 A member of the Company entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed and to be valid must be completed and received by the Company's Registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL, not less than 48 hours before the time appointed for the holding of the meeting. Members who have lodged a proxy form are not thereby precluded from attending the meeting and voting in person if they so wish.
- 2 In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy but the vote of the first named on the Register of Members of the Company will be accepted to the exclusion of the other joint holders.
- 3 Copies of the register of Directors' interests kept in accordance with Section 325 of the Companies Act 1985 and copies of the service contracts of the Directors are available for inspection during usual business hours on any week day (Saturdays, Sundays and public holidays excepted) from the date of this notice and up to and including the date of the Annual General Meeting at the registered office of the Company.
- 4 The Company, pursuant to regulation 41 (1) of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at 6.00 pm on Friday 23 March 2007 shall be entitled to attend or vote at the Annual General Meeting in respect of such number of shares registered in their name at that time. Changes to entries on the register of members after 6.00 pm on Friday 23 March 2007 shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.