

7 November 2013

Prime People Plc

Unaudited Condensed Consolidated Interim Report for the six months ended 30 September 2013

CHAIRMAN'S STATEMENT

Overview

Whilst trading across our revenue areas in the first half has been variable, Net Fee Income ('NFI') for the Group is broadly the same as for the corresponding period last year but with improving NFI in the second quarter across the Group. NFI from the Rest of the World, representing less than 10% of total NFI, has fallen by 33% whereas in the UK and Asia NFI has increased, by 4% and 7% respectively.

With a back-drop of improved trading conditions, we continue with the development of our international businesses in Asia, which we believe will provide us with increased opportunities for growth in the mid to long term.

Permanent recruitment remains the main focus of our business representing 90% of NFI compared to 91% in the comparable period for 2013.

The Group is pleased to report a much improved operating profit of £0.3m in the first half of its financial year compared to £0.1m achieved in the comparable period last year. The improved performance reflects a slightly better than break even performance from our Singapore office in the period compared to losses associated with the investment in Singapore this time last year.

Financial Results

Group revenue increased by 8% for the period, to £6.8m (2012:£6.3m) mainly due to an increase in turnover of our UK temporary business.

NFI remained the same at £3.8m (2012:£3.8m)

Administrative costs for the group have reduced from £3.7m in 2012 to £3.5m in the current period reflecting the tight cost controls that the Group continue to maintain over its businesses.

Profit before taxation for the period has increased to £0.3m (2012:£0.1m)

The charge for taxation is based on the expected annual effective tax rate of 23% (2012:43%, which, as previously noted, was high in this period because of the impact of applying lower tax rates to the costs arising from our business in Singapore).

Basic earnings per share for the period has increased to 1.94p (2012:0.57p).

CHAIRMAN'S STATEMENT (cont)

Cash Flow

The Group maintained a strong net cash position of £2.8m (2012:£ 2.1m) at the end of the period. Cash generated by the business in the period amounted to £0.97m (2012: cash used £0.46m), which after dividend payment of £0.37m (2012:£ 0.27m), resulted in a net cash inflow of £0.56m (2012: cash outflow £0.73m).

Dividend

Given the level of trading in the first half of 2013 the Board will be declaring an interim dividend of 1.00p (2012: 1.00p).

Outlook

As we step into the second half of the year we have reasonable expectations that the UK businesses will continue to perform at least at similar levels to the first half of the year or better. We are looking for continued improved performance from our businesses in Asia, but have conservative expectations as to the likely performance from our businesses in the Rest of the World.

The focus for the Group is to maximize the returns from recent investments and continue to recruit new heads into those markets where there is potential for NFI and profit growth.

Robert Macdonald

Executive Chairman

7 November 2013

For further information please contact:

Prime People

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UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2013

		Six months ended		Year ended
		30 September	30 September	31 March
		2013	2012	2013
	Note	£'000	£'000	£'000
Revenue	3	6,810	6,278	13,038
Cost of sales		(3,048)	(2,496)	(5,443)
Net fee income		3,762	3,782	7,595
Administrative expenses		(3,475)	(3,675)	(6,832)
Operating profit		287	107	763
Finance income		10	10	20
Profit before taxation		297	117	783
Income tax expense	4	(67)	(50)	(223)
Profit for the period/year		230	67	560
Other comprehensive (loss)/income:				
Foreign currency exchange differences		(71)	(34)	19
Total comprehensive income for the period/year		159	33	579
Attributable to:				
Equity shareholders of the parent		159	33	579
Earnings per share	6			
Basic earnings per share		1.94p	0.57p	4.70p
Diluted earnings per share		1.88p	0.56p	4.67p

The above results relate to continuing operations.

The notes on pages 7 to 12 form an integral part of this unaudited condensed consolidated interim report.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

		30 September 2013 £'000	30 September 2012 £'000	31 March 2013 £'000
	Note			
Assets				
Non-current assets				
Goodwill		9,769	9,769	9,769
Property, plant and equipment		280	168	264
Deferred tax asset		25	18	28
		10,074	9,955	10,061
Current assets				
Trade and other receivables	9	3,310	3,358	3,452
Cash and cash equivalents		2,757	2,064	2,282
		6,067	5,422	5,734
Total assets		16,141	15,377	15,795
Liabilities				
Current Liabilities				
Financial liabilities		7	7	26
Trade and other payables	10	1,998	1,581	1,526
Current tax liabilities		240	114	160
		2,245	1,702	1,712
Total liabilities		2,245	1,702	1,712
Net assets		13,896	13,675	14,083
Capital and reserves attributable to the company's equity holders				
Called up share capital		1,207	1,207	1,207
Capital redemption reserve		9	9	9
Treasury shares		(191)	(165)	(191)
Share premium account		7,109	7,109	7,109
Merger reserve		173	173	173
Share option reserve		117	93	97
Currency translation differences		352	370	423
Retained earnings		5,120	4,879	5,256
Equity shareholders funds		13,896	13,675	14,083

The notes on pages 7 to 12 form an integral part of this unaudited condensed consolidated interim report.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Called up share capital £'000	Capital redem- ption reserve £'000	Treasury shares £'000	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Foreign currency trans- lation £'000	Retained earnings £'000	Total £'000
At 1 April 2012	1,207	9	(169)	7,109	173	81	404	5,080	13,894
Total comprehensive income for the period	-	-	-	-	-	-	(34)	67	33
Adjustment in respect of share schemes	-	-	-	-	-	12	-	-	12
Issue of shares from treasury	-	-	4	-	-	-	-	-	4
Dividends	-	-	-	-	-	-	-	(268)	(268)
At 30 September 2012	1,207	9	(165)	7,109	173	93	370	4,879	13,675
Total comprehensive income for the period	-	-	-	-	-	-	53	493	546
Adjustment in respect of share schemes	-	-	-	-	-	4	-	3	7
Shares purchased for treasury	-	-	(26)	-	-	-	-	-	(26)
Dividends	-	-	-	-	-	-	-	(119)	(119)
At 31 March 2013	1,207	9	(191)	7,109	173	97	423	5,256	14,083
Total comprehensive income for the period	-	-	-	-	-	-	(71)	230	159
Adjustment in respect of share schemes	-	-	-	-	-	20	-	-	20
Dividends	-	-	-	-	-	-	-	(366)	(366)
At 30 September 2013	1,207	9	(191)	7,109	173	117	352	5,120	13,896

The notes on pages 7 to 12 form an integral part of this unaudited condensed consolidated interim report.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW
For the six months ended 30 September 2013

		Six months ended		Year ended
		30 September	30 September	31 March
		2013	2012	2013
	Note	£'000	£'000	£'000
Cash generated from/(used by) underlying operations	7	970	(399)	186
Income tax paid			(58)	(195)
Income tax received		16	-	-
Net cash from/(used by) operating activities		986	(457)	(9)
Cash flows from investing activities				
Interest received		10	10	20
Net purchase of property, plant and equipment		(65)	(22)	(189)
Net cash used in investing activities		(55)	(12)	(169)
Cash flows from financing activities				
Treasury shares		-	4	(22)
Dividend paid to shareholders	5	(366)	(268)	(387)
Net cash used in financing activities		(366)	(264)	(409)
Net increase/(decrease) in cash and cash equivalents		565	(733)	(587)
Cash and cash equivalents at beginning of period/year		2,256	2,824	2,824
Exchange (loss)/gain on cash and cash equivalents		(71)	(34)	19
Cash and cash equivalents at end of period/year		2,750	2,057	2,256

The notes on pages 7 to 12 form an integral part of this unaudited condensed consolidated interim report.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

For the six months ended 30 September 2013

1. General information

Prime People Plc (“the Company”) and its subsidiaries’ (together “the Group”) principal activity is the provision of permanent and temporary recruitment services to large and medium sized organisations. The Group’s focus has been to provide services to the built environment sector, the energy and environment sector, for customer insight staff and the pharmaceutical research sector.

Prime People Plc is the Group’s ultimate parent company. The Company is a limited liability company incorporated and domiciled in the United Kingdom. The address of Prime People Group’s registered office and its principal place of business is 2 Harewood Place, London, W1S 1BX, England. Prime People Group’s shares are quoted on the Alternative Investment Market (AIM) of the London Stock Exchange.

This unaudited condensed consolidated interim report for the six months ended 30 September 2013 (including comparatives) is presented in GBP‘000, and was approved and authorised for issue by the board of directors on 7 November 2013.

Copies of the interim results are available at the Company’s registered office and on the Company’s website – www.prime-people.co.uk.

This unaudited condensed consolidated interim report does not constitute statutory accounts of the Group within the meaning of section 434 of the Companies Act 2006. The financial information for the year ended 31 March 2013 has been extracted from the statutory accounts for that year, which have been filed with the Registrar of Companies. The auditors’ report on those accounts was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2. Basis of preparation

The unaudited condensed consolidated interim report for the six months ended 30 September 2013 has been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRSs”) and in accordance with ‘IAS 34, Interim financial reporting’, as adopted by the European Union. The condensed consolidated interim report should be read in conjunction with the annual financial statements for the year ended 31 March 2013 which were prepared in accordance with IFRSs as adopted by the European Union.

The Group was profitable for the period and has considerable financial resources comprising £2.75m of net cash at 30 September 2013. After making enquiries, the Directors have formed a judgement, at the time of approving the six months results, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months. For this reason the Directors continue to adopt the going concern basis in preparing the condensed set of financial statements.

These financial statements have been prepared under the historical cost convention, using the same accounting policies as those used in the preparation of the financial statements for the year ended 31 March 2013 and which are also expected to apply for the year ended 31 March 2014.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of the condensed consolidated interim report.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

For the six months ended 30 September 2013

3. Segment reporting

(a) Revenue and net fee income by geographical region

	Revenue			Net fee income		
	30 September 2013	30 September 2012	Year ended 31 March 2013	30 September 2013	30 September 2012	Year ended 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000
UK	5,529	4,879	10,345	2,487	2,383	4,902
Asia	917	854	1,746	911	854	1,746
Rest of World	364	545	947	364	545	947
	6,810	6,278	13,038	3,762	3,782	7,595

All revenues disclosed by the group are derived from external customers and are for the provision of recruitment services.

(b) Revenue and net fee income by classification

	Revenue			Net fee income		
	30 September 2013	30 September 2012	Year ended 31 March 2013	30 September 2013	30 September 2012	Year ended 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000
Permanent						
- UK	2,105	2,043	4,146	2,100	2,035	4,140
- Asia	917	854	1,746	911	854	1,746
- Rest of World	364	545	947	364	545	947
Temporary (UK)	3,424	2,836	6,199	387	348	762
	6,810	6,278	13,038	3,762	3,782	7,595

(c) Profit before taxation by geographical region

	Six months ended		Year ended
	30 September 2013	30 September 2012	31 March 2013
	£'000	£'000	£'000
UK	249	229	841
Asia	45	(160)	(102)
Rest of World	(7)	38	24
Operating profit	287	107	763
Net finance income	10	10	20
Profit before taxation	297	117	783

3. Segment reporting (continued)

(d) Segment non-current assets by geographical region

	30 September 2013 £'000	30 September 2012 £'000	31 March 2013 £'000
UK	10,019	9,929	10,018
Asia	29	18	34
Rest of World	26	8	9
	10,074	9,955	10,061

(e) Segment liabilities by geographical region

	30 September 2013 £'000	30 September 2012 £'000	31 March 2013 £'000
UK	1,874	1,123	979
Asia	235	341	577
Rest of World	136	238	156
	2,245	1,702	1,712

The analysis above is of the carrying amount of reportable segment assets, liabilities and non-current assets. Segment assets and liabilities include items directly attributable to a segment and include income tax assets and liabilities. Non-current assets include goodwill, property, plant and equipment and computer software.

4. Income tax expense

The charge for taxation on profits for the interim period amounted to £0.07m (2012: £0.05m) an effective rate of 23% (2012: 43%).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

For the six months ended 30 September 2013

5. Dividends

	Six months ended		Year ended
	30 September 2013 £'000	30 September 2012 £'000	31 March 2013 £'000
Final dividend for 2013 of 3.09 pence per share (2012: 2.25 pence per share)	366	268	267
Interim dividend for 2013 of 1 pence per share	-	-	120
	366	268	387

The interim dividend for 2014 of 1.00 pence (2013: 1.00 pence paid on 29 November 2012) was approved by the board on 7 November 2013 and will be paid on 29 November 2013 to those shareholders whose names are on the register on 22 November 2013.

6. Earnings per share

Earnings per share (EPS) is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Fully diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares by existing share options assuming dilution through conversion of all existing options.

Earnings and weighted average number of shares from continuing operations used in the calculations are show below:

	Six months ended		Year ended
	30 September 2013 £'000	30 September 2012 £'000	31 March 2013 £'000
Retained profit for basic and diluted earnings per share	230	67	560

	Number	Number	Number
Weighted average number of shares used for basic earnings per share	11,860,500	11,895,514	11,896,544
Dilutive effect of share options	345,803	57,326	83,392
Diluted weighted average number of shares used for diluted earnings per share	12,206,303	11,952,840	11,979,936

	Pence	Pence	Pence
Basic earnings per share	1.94p	0.57p	4.70p
Diluted earnings per share	1.88p	0.56p	4.67p

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT
For the six months ended 30 September 2013

7. Reconciliation of profit before tax to cash flow from operating activities

	Six months ended		Year ended
	30 September	30 September	31 March
	2013	2012	2013
	£'000	£'000	£'000
Profit before taxation	297	117	783
Adjust for:			
Depreciation	54	50	94
Share option reserve movement	20	12	19
Loss on sale of plant and equipment	(6)	-	26
Net finance income	(10)	(10)	(20)
Operating cash flow before changes in working capital	355	169	902
Decrease/(Increase) in receivables	142	(438)	(532)
Increase/(Decrease) in payables	473	(130)	(184)
Cash generated (used by)/ from underlying operations	970	(399)	186

8. Reconciliation of net cash flow to movement in net funds

	Six months ended		Year ended
	30 September	30 September	31 March
	2013	2012	2013
	£'000	£'000	£'000
Increase in cash and cash equivalents in period/year	565	(733)	(587)
Net funds at the start of the period/year	2,256	2,824	2,824
Other non-cash changes	(71)	(34)	19
Net funds at the end of the period/year	2,750	2,057	2,256

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT
For the six months ended 30 September 2013

9. Trade and other receivables

	30 September 2013 £'000	30 September 2012 £'000	31 March 2013 £'000
Trade receivables	1,605	1,967	1,882
Allowance for doubtful debts	(122)	(97)	(85)
Prepayments and accrued income	1,744	1,403	1,582
Other receivables	83	85	73
	3,310	3,358	3,452

10. Trade and other payables

	30 September 2013 £'000	30 September 2012 £'000	31 March 2013 £'000
Trade payables	317	231	193
Other taxes and social security	392	363	374
Other payables	331	185	245
Accruals and deferred income	958	802	714
	1,998	1,581	1,526
