



7 November 2014

Prime People Plc

Unaudited Condensed Consolidated Interim Report for the six months ended 30 September 2014

CHAIRMAN'S STATEMENT

Overview

The Group is pleased to report improved Operating Profit of £0.6m in the first half of this year compared to £0.29m achieved in the comparable period last year. The growth in the period has been generated from our permanent business which remains the main focus of our business, representing 93% of Net Fee Income (NFI) compared to 90% in the comparable period of 2013.

The improvement in performance highlighted in our 2014 annual Report has continued through in to the current period. NFI in the period for the Group is £5.0m which is a 32% increase on last year (2013: £3.8m). There were a number of strong NFI performances in both the UK and Asia. In the UK NFI increased by 28% from £2.5m to £3.2m and in Asia NFI increased by 59% from £0.9m to £1.4m.

Our Singapore office, which is our most recently established office, has continued to develop and is now profitable, which compares well with the break even performance reported in the same period last year.

Financial Results

Group revenue increased by 18% for the period to £8m (2013:£6.8m).

Administrative costs for the group have increased from £3.5m in 2013 to £4.4m in the current period which is in part a consequence of higher commission paid to consultants for improved performance and in part an up lift in fee earning head-count of the Group.

Profit before taxation for the period has increased to £0.6m (2013:£0.3m)

The charge for taxation is based on the expected annual effective tax rate of 21% (2013: 23%).

Basic earnings per share for the period has increased to 4.17p (2013:1.94p).

Return of capital to shareholders

At the start of the year the Group had net cash of £2.96m. As outlined when we announced our final results for 2014 it was the intention of the directors to return cash to shareholders. A circular was sent to shareholders on 29 May 2014 explaining the background to and reasons for the proposed return of capital and convening a General Meeting on 16 June 2014. At the meeting shareholders approved the reduction totalling £1.8m. On 16 July 2014 we announced that the capital reduction had been confirmed by the Court and on the 24 July cheques amounting to 14.809329 pence per share were sent to shareholders.

CHAIRMAN'S STATEMENT (cont)

Cash Flow

Following the return of capital of £1.8m the Group continues to maintain a strong net cash position.

After net taxation payments of £0.1m (2013: receipts £0.01m) cash generated from operations was £0.37m (2013: £0.99m). A final dividend for 2014 of £0.38m was paid in June 2014 (2013: £0.37m). At the end of the period the Group had net cash of £1.1m (2013: £2.8m)

Dividend

Given the level of trading in the first half of 2014 the Board will be declaring an interim dividend of 1.75p (2013: 1.00p).

Outlook

We have reasonable expectations that the UK businesses will continue to perform at least at similar levels to the first half of the year. We are looking for continued improved performance from our businesses in Asia which we believe will provide us with increased opportunities for growth in the mid to long term, but continue to 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 investment in the business and continue to recruit new heads into those markets where there is potential for NFI and profit growth.

Robert Macdonald

Executive Chairman
7 November 2014

For further information please contact:

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UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2014

| | Note | Six months ended | | Year ended |
|--|------|-------------------------------|-------------------------------|---------------------------|
| | | 30 September 2014 £'000 | 30 September 2013 £'000 | 31 March 2014 £'000 |
| Revenue | 3 | 8,028 | 6,810 | 14,442 |
| Cost of sales | | (3,030) | (3,048) | (6,115) |
| Net fee income | | 4,998 | 3,762 | 8,327 |
| Administrative expenses | | (4,364) | (3,475) | (7,300) |
| Operating profit | | 634 | 287 | 1,027 |
| Finance income | | 6 | 10 | 20 |
| Finance expense | | - | - | (2) |
| Profit before taxation | | 640 | 297 | 1,045 |
| Income tax expense | 4 | (135) | (67) | (203) |
| Profit for the period/year | | 505 | 230 | 842 |
| Other comprehensive (loss)/income: | | | | |
| Exchange gain/(loss) on translating foreign operations | | 35 | (71) | (111) |
| Total comprehensive income for the period/year | | 540 | 159 | 731 |
| Attributable to: | | | | |
| Equity shareholders of the parent | | 540 | 159 | 731 |
| Earnings per share | 6 | | | |
| Basic earnings per share | | 4.17p | 1.94p | 7.10p |
| Diluted earnings per share | | 3.89p | 1.88p | 6.83p |

The above results relate to continuing operations.

The notes on pages 6 to 11 form an integral part of this unaudited condensed consolidated interim report.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

| | | 30 September 2014 £'000 | 30 September 2013 £'000 | 31 March 2014 £'000 |
|--|------|-------------------------------|-------------------------------|---------------------------|
| | Note | | | |
| Assets | | | | |
| Non-current assets | | | | |
| Goodwill | | 9,769 | 9,769 | 9,769 |
| Property, plant and equipment | | 386 | 280 | 328 |
| Deferred tax asset | | - | 25 | - |
| | | 10,155 | 10,074 | 10,097 |
| Current assets | | | | |
| Trade and other receivables | 9 | 3,695 | 3,310 | 3,535 |
| Cash and cash equivalents | | 1,114 | 2,757 | 2,963 |
| | | 4,809 | 6,067 | 6,498 |
| Total assets | | 14,964 | 16,141 | 16,595 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Financial liabilities | | - | 7 | 1 |
| Trade and other payables | 10 | 1,883 | 1,998 | 2,005 |
| Current tax liabilities | | 165 | 240 | 151 |
| | | 2,048 | 2,245 | 2,157 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | | 21 | - | 15 |
| | | 21 | - | 15 |
| Total liabilities | | 2,069 | 2,245 | 2,172 |
| Net assets | | 12,895 | 13,896 | 14,423 |
| Capital and reserves attributable to the Company's equity holders | | | | |
| Called up share capital | | 1,217 | 1,207 | 1,207 |
| Capital redemption reserve | | 9 | 9 | 9 |
| Treasury shares | | (146) | (191) | (143) |
| Share premium account | | 5,356 | 7,109 | 7,109 |
| Merger reserve | | 173 | 173 | 173 |
| Share option reserve | | 173 | 117 | 120 |
| Currency translation differences | | 347 | 352 | 312 |
| Retained earnings | | 5,766 | 5,120 | 5,636 |
| Equity shareholders funds | | 12,895 | 13,896 | 14,423 |

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 2014

| | 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 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 |
| Dividend | - | - | - | - | - | - | - | (366) | (366) |
| At 30 September 2013 | 1,207 | 9 | (191) | 7,109 | 173 | 117 | 352 | 5,120 | 13,896 |
| Total comprehensive income for the period | - | - | - | - | - | - | (40) | 612 | 572 |
| Adjustment in respect of share schemes | - | - | - | - | - | 3 | - | 23 | |
| Shares issued from treasury | - | - | 53 | - | - | - | - | - | 53 |
| Shares purchased for treasury | - | - | (5) | - | - | - | - | - | (5) |
| Dividend | - | - | - | - | - | - | - | (119) | (119) |
| At 31 March 2014 | 1,207 | 9 | (143) | 7,109 | 173 | 120 | 312 | 5,636 | 14,423 |
| Total comprehensive income for the period | - | - | - | - | - | - | 35 | 505 | 540 |
| Adjustment in respect of share schemes | - | - | - | - | - | 53 | - | - | 53 |
| Issue of ordinary shares | 10 | - | - | 47 | - | - | - | - | 57 |
| Return of capital | - | - | - | (1,800) | - | - | - | - | (1,800) |
| Shares issued from treasury | - | - | 12 | - | - | - | - | - | (12) |
| Shares purchased for treasury | - | - | (15) | - | - | - | - | - | (15) |
| Dividends | - | - | - | - | - | - | - | (375) | (375) |
| At 30 September 2014 | 1,217 | 9 | (146) | 5,356 | 173 | 173 | 347 | 5,766 | 12,895 |

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 2014

| | | Six months ended | | Year ended |
|--|-------------|-------------------------|---------------------|-------------------|
| | | 30 September | 30 September | 31 March |
| | | 2014 | 2013 | 2014 |
| | Note | £'000 | £'000 | £'000 |
| Cash generated from/(used in) underlying operations | 7 | 485 | 970 | 1,586 |
| Income tax paid | | (115) | - | (230) |
| Income tax received | | - | 16 | 60 |
| Net cash from operating activities | | 370 | 986 | 1,416 |
| Cash flows from investing activities | | | | |
| Interest received | | 6 | 10 | 18 |
| Net purchase of property, plant and equipment | | (138) | (65) | (180) |
| Net cash used in investing activities | | (132) | (55) | (162) |
| Cash flows from financing activities | | | | |
| Issue of ordinary share capital | | 57 | - | - |
| Return of capital | 8 | (1,800) | - | - |
| Shares issued from treasury | | 12 | - | 53 |
| Shares purchased for treasury | | (15) | - | (5) |
| Dividend paid to shareholders | 5 | (375) | (366) | (485) |
| Net cash used in financing activities | | (2,121) | (366) | (437) |
| Net (decrease)/increase in cash and cash equivalents | | (1,883) | 565 | 817 |
| Cash and cash equivalents at beginning of period/year | | 2,962 | 2,256 | 2,256 |
| Effect of foreign exchange rate changes | | 35 | (71) | (111) |
| Cash and cash equivalents at end of period/year | | 1,114 | 2,750 | 2,962 |

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 2014

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 is to provide services to the built environment sector, the energy and environment sector and for customer insight staff.

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 2014 (including comparatives) is presented in GBP‘000, and was approved and authorised for issue by the board of directors on 7 November 2014.

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 2014 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 2014 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 2014 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 £1.1m of net cash at 30 September 2014. 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 2014 and which are also expected to apply for the year ended 31 March 2015.

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 2014

3. Segment reporting

(a) Revenue and net fee income by geographical region

| | Revenue | | | Net fee income | | |
|---------------|------------------|--------------|------------|------------------|--------------|------------|
| | Six months ended | | Year ended | Six months ended | | Year ended |
| | 30 September | 30 September | 31 March | 30 September | 30 September | 31 March |
| | 2014 | 2013 | 2014 | 2014 | 2013 | 2014 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| UK | 6,228 | 5,529 | 11,432 | 3,198 | 2,487 | 5,317 |
| Asia | 1,446 | 917 | 2,230 | 1,446 | 911 | 2,230 |
| Rest of World | 354 | 364 | 780 | 354 | 364 | 780 |
| | 8,028 | 6,810 | 14,442 | 4,998 | 3,762 | 8,327 |

All revenues disclosed by the group are derived from external customers and are for the provision of recruitment services. The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit before taxation represents the profit earned by each segment after allocations of central administration costs.

(b) Revenue and net fee income by classification

| | Revenue | | | Net fee income | | |
|-----------------|------------------|--------------|------------|------------------|--------------|------------|
| | Six months ended | | Year ended | Six months ended | | Year ended |
| | 30 September | 30 September | 31 March | 30 September | 30 September | 31 March |
| | 2014 | 2013 | 2014 | 2014 | 2013 | 2014 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Permanent | | | | | | |
| - UK | 2,833 | 2,105 | 4,548 | 2,824 | 2,100 | 4,533 |
| - Asia | 1,446 | 917 | 2,230 | 1,446 | 911 | 2,230 |
| - Rest of World | 354 | 364 | 780 | 354 | 364 | 780 |
| Temporary (UK) | 3,395 | 3,424 | 6,884 | 374 | 387 | 784 |
| | 8,028 | 6,810 | 14,442 | 4,998 | 3,762 | 8,327 |

(c) Profit before taxation by geographical region

| | Six months ended | | Year ended |
|------------------------|------------------|--------------|------------|
| | 30 September | 30 September | 31 March |
| | 2014 | 2013 | 2014 |
| | £'000 | £'000 | £'000 |
| UK | 372 | 249 | 719 |
| Asia | 248 | 45 | 381 |
| Rest of World | 14 | (7) | (73) |
| Operating profit | 634 | 287 | 1,027 |
| Net finance income | 6 | 10 | 18 |
| Profit before taxation | 640 | 297 | 1,045 |

3. Segment reporting (continued)

(d) Segment non-current assets by geographical region

| | 30 September 2014 £'000 | 30 September 2013 £'000 | 31 March 2014 £'000 |
|---------------|--|-------------------------------|---------------------------|
| UK | 10,079 | 10,019 | 10,062 |
| Asia | 62 | 29 | 7 |
| Rest of World | 14 | 26 | 28 |
| | 10,155 | 10,074 | 10,097 |

(e) Segment liabilities by geographical region

| | 30 September 2014 £'000 | 30 September 2013 £'000 | 31 March 2014 £'000 |
|---------------|--|-------------------------------|---------------------------|
| UK | 1,351 | 1,288 | 1,380 |
| Asia | 571 | 821 | 656 |
| Rest of World | 147 | 136 | 136 |
| | 2,069 | 2,245 | 2,172 |

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 £0.14m (2013: £0.07m) an effective rate of 21% (2013: 23%).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

For the six months ended 30 September 2014

5. Dividends

| | Six months ended | | Year ended |
|---|--|-------------------------------|---------------------------|
| | 30 September 2014 £'000 | 30 September 2013 £'000 | 31 March 2014 £'000 |
| Final dividend for 2014 of 3.09 pence per share (2013: 3.09 pence per share) | 375 | 366 | 366 |
| Interim dividend for 2014 of 1 pence per share (2013: 1.00 pence per share) | - | - | 119 |
| | 375 | 366 | 485 |

The interim dividend for 2015 of 1.75 pence (2014: 1.00 pence paid on 7 November 2013) was approved by the board on 7 November 2014 and will be paid on 28 November 2014 to those shareholders whose names are on the register on 21 November 2014.

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 2014 £'000 | 30 September 2013 £'000 | 31 March 2014 £'000 |
| Retained profit for basic and diluted earnings per share | 505 | 230 | 842 |
| | Number | Number | Number |
| Weighted average number of shares used for basic earnings per share | 12,106,942 | 11,860,500 | 11,863,698 |
| Dilutive effect of share options | 876,289 | 345,803 | 462,126 |
| Diluted weighted average number of shares used for diluted earnings per share | 12,983,231 | 12,206,303 | 12,325,824 |
| | Pence | Pence | Pence |
| Basic earnings per share | 4.17p | 1.94p | 7.10p |
| Diluted earnings per share | 3.89p | 1.88p | 6.83p |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT
For the six months ended 30 September 2014

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

| | Six months ended | | Year ended |
|--|-------------------------|--------------|-------------------|
| | 30 September | 30 September | 31 March |
| | 2014 | 2013 | 2014 |
| | £'000 | £'000 | £'000 |
| Profit before taxation | 640 | 297 | 1,045 |
| Adjust for: | | | |
| Depreciation | 79 | 54 | 116 |
| Share option reserve movement | 53 | 20 | 46 |
| Loss on sale of plant and equipment | 1 | (6) | (2) |
| Net finance income | (6) | (10) | (18) |
| Operating cash flow before changes in working capital | 767 | 355 | 1,187 |
| (Increase)decrease in receivables | (160) | 142 | (83) |
| (Decrease)/increase in payables | (122) | 473 | 482 |
| Cash generated from underlying operations | 485 | 970 | 1,586 |

8. Return of capital to shareholders

At a General Meeting held on 16 June 2014 shareholders approved the return of capital totaling £1.8m. On 16 July 2014 the company announced that the capital reduction had been confirmed by the Court and on the 24 July cheques amounting to 14.809329 pence per share were sent to shareholders. This capital reduction has been treated as an adjustment to share premium.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

For the six months ended 30 September 2014

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

| | Six months ended | | Year ended |
|---|--|--|------------------------------------|
| | 30 September 2014 £'000 | 30 September 2013 £'000 | 31 March 2014 £'000 |
| (Decrease)/increase in cash and cash equivalents in period/year | (1,883) | 565 | 817 |
| Net funds at the start of the period/year | 2,962 | 2,256 | 2,256 |
| Other non-cash changes | 35 | (71) | (111) |
| Net funds at the end of the period/year | 1,114 | 2,750 | 2,962 |

10. Trade and other receivables

| | 30 September 2014 £'000 | 30 September 2013 £'000 | 31 March 2014 £'000 |
|--------------------------------|--|--|------------------------------------|
| Trade receivables | 1,982 | 1,605 | 1,613 |
| Allowance for doubtful debts | (178) | (122) | (38) |
| Prepayments and accrued income | 1,810 | 1,744 | 1,908 |
| Other receivables | 81 | 83 | 52 |
| | 3,695 | 3,310 | 3,535 |

11. Trade and other payables

| | 30 September 2014 £'000 | 30 September 2013 £'000 | 31 March 2014 £'000 |
|---------------------------------|--|--|------------------------------------|
| Trade payables | 249 | 317 | 303 |
| Other taxes and social security | 460 | 392 | 490 |
| Other payables | 222 | 331 | 256 |
| Accruals and deferred income | 952 | 958 | 956 |
| | 1,883 | 1,998 | 2,005 |