



Prime People Plc Interim Report

for the six months ended 30 September 2014

2014

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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.

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)

CHAIRMAN'S STATEMENT (continued)

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

PRIME PEOPLE PLC
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 7 to 12 form an integral part of this unaudited condensed consolidated interim report.

PRIME PEOPLE PLC
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.

PRIME PEOPLE PLC
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.

PRIME PEOPLE PLC
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.

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.

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%).

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

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.

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

	Six months ended		Year ended
	30 September	30 September	31 March
	2014	2013	2014
	£'000	£'000	£'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	30 September	31 March
	2014	2013	2014
	£'000	£'000	£'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
Total	3,695	3,310	3,535

11. Trade and other payables

	30 September	30 September	31 March
	2014	2013	2014
	£'000	£'000	£'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
Total	1,883	1,998	2,005



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