



Prime People Plc  
Annual Report and Financial Statements  
for the year ended 31 March 2015

2015

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## Chairman's Statement

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### Performance

In 2015 many UK recruitment businesses that focus on professional recruitment, experienced strong revenue growth and as the detailed report that follows shows, the Group has also had a good year overall, particularly in the UK.

I am pleased to report that we closed the year with Net Fee Income (NFI) of £10.22m which is a 22.70% increase on last year (2014: £8.33m). It is encouraging to see both sequential and bi-annual improvements in performance. NFI in the second half of the year of £5.2m shows a 4.5% improvement on the first half of 2015 and a 14.4% increase on the second half of 2014.

There were a number of strong NFI performances, noticeably from our UK property businesses, which continue to be the core of the Group. During the year our Energy business, which addresses the recruitment needs of the Energy, Renewables and Environmental Sectors, was given a separate identity as Prime Energy and provided an excellent NFI result.

The 38.8% increase in operating profit for the year from £1.03m in 2014 to £1.43m in 2015 reflects the improvement in NFI and the continued drive to control costs across the Group.

NFI productivity per head has remained constant at £91k in 2014 (2014: £91k).

The conversion rate, which compares operating profit to NFI, improved from 12.33% to 13.99% due primarily to improvement in the UK, where client and candidate confidence continued to improve.

The ratio of NFI derived from permanent as against temporary placements has slightly increased in the year from 91:9 in 2014 to 92:8.

### Return of capital to shareholders

At the start of the year the Group had cash less overdrafts of £2.96m which had decreased to £1.01m by the end of the year.

The decrease is mainly due to the return of £1.8m cash to shareholders by way of reduction in capital which amounted to 14.809329p per share paid to the shareholders on 24 July 2014.

### Dividend

The Board will be recommending a final dividend of 3.09p (2014: 3.09p) per share which combined with the interim dividend of 1.75p per share and the special second interim dividend of 4p paid on 2 April to all shareholders on the register on 27 March 2015 end will result in a total dividend of 8.84p for the 2015 financial year (2014: 4.09p).

### Share Buy Back

During the year 67,210 shares were purchased at a cost of £61,512 (2014: 7,000 shares at a cost of £4,900) through the Group's buyback programme. The Board will be seeking shareholder approval for renewal of the authority to repurchase up to 10% of the Group's issued share capital at the Annual General Meeting.

### New Issue of Ordinary Shares

During the year the Company applied for 127,499 10p newly issued shares to be admitted to trading on AIM which were issued to satisfy the exercise of options granted under the company's share option and SAYE schemes. The Admission of 100,000 took place on 13 June 2014, and the Admission of 27,499 took place on 25 February 2015.

### Board

The Board has continued to operate corporate governance standards appropriate to an AIM listed company. There have been no changes to the Board during the year. Although not required to do so, the Directors have resolved that they will retire at least once every three years and seek reappointment by shareholder at the next AGM.

We are fortunate that the Board is composed of an experienced group of people who are able to give balance and expertise to the business.

## **Chairman's Statement (continued)**

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### **People**

The average number of staff increased from 91 last year to 112 this year and we anticipate that headcount at the end of 2016 will increase again.

The success of the Group is dependent on having the right people and the Board would like to thank all of the Group's staff for their hard work, commitment and contribution over the last year.

### **Current trading and outlook**

After recent growth seen in the recruitment sector, levels of activity are currently steady providing confidence for a good outcome for 2016. Whilst we are conscious of the continued Eurozone uncertainty, we believe we are well positioned to capitalise on both current and future growth opportunities.

We will continue to develop new business lines organically as opportunities arise and we will continue to invest in our CRM and management information systems so that they are appropriate for the business now and into the future.

The Group continues to drive performance improvement from its global network with a focus on retaining our most experienced and talented employees.

The Board will continue to invest in areas where growth can be delivered at acceptable levels of projected profitability and risk, increasing cash generation and growing Group revenue.

Robert Macdonald  
**Executive Chairman**  
**28 May 2015**

## Strategic Report

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### Overview

The Group's activity is the delivery of permanent and temporary recruitment services. The Group's core market has been to provide these services to the built environment sector through its main subsidiary Macdonald & Company. This has been broadened to include provision of recruitment services for customer insight staff in the market research and data analysis sector, branded as Prime Insight. The Group's service to the energy & environmental sector has experienced strong growth both in terms of NFI and profitability and now operates as Prime Energy.

The involvement of our employees in the business is imperative to our success now and into the future. We take time and care to source the very best talent to grow our business in a sustainable way, our aim is not to be the biggest but simply to be the best. The business is organised into a number of teams based on functional activity with team leaders responsible for running their teams within the operating framework of the Group. The policy of strong communication with all employees has continued and employees are encouraged to present their own suggestions and views in order to improve the business and the sectors that we serve.

The Group is committed to the principles of hiring based purely on individual merit and is committed to equal opportunities. The Group gives full and fair consideration to applications for employment from disabled persons, where the requirements of the job may be adequately covered by a disabled person.

We have two offices in the UK, London which is our head office and Manchester. Internationally we have offices in Dubai, Hong Kong, Singapore and South Africa.

Both Group Revenue and NFI were up in 2015 which in turn delivered an increased operating profit of £1.43m (2014: £1.03m).

The UK had a better start to the year but recorded a lower performance in the second half of the year. The growth in the UK was driven by an increase in NFI from our Prime Energy, General Practice and Technical teams.

Hong Kong and Singapore produced strong performances, and further established our positions in these markets. It has been rewarding to see our investment in Singapore produce good results both in terms of NFI and profitability in the region.

Our Dubai based Middle East operation produced a stronger performance than the comparable period last year. However, the Board continue to have conservative expectations as to the likely performance from this business in the next twelve months.

We remain focused on delivering a consistent level of NFI, cash generation and profitable growth. Access to professional talent is a key component to the Group's ability to grow and remain competitive, and in the current unpredictable European climate, it is even more important for the business to have the flexibility it needs to modify or transform services quickly, and remain globally competitive. We closely monitor individual NFI performance and productivity which, in conjunction with tightly managing costs, aim to continue to improve conversion ratios and productivity per head.

**Strategic Report**

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**Regional Performance****UK**

	<b>2015</b> <b>£m</b>	<b>2014</b> <b>£m</b>
Revenue	12.96	11.43
Net fee income (NFI)	6.53	5.32
Operating profit	0.99	0.72
Operating profit as % of NFI	15.16%	13.53%
Average number of employees	68	61

In 2014 we were able to capitalise on an improving economic backdrop. At the end of last year we saw the potential and so added fee earner headcount to put us in the best position as the market continued to strengthen.

Revenue increased by 13.4% to £12.96m (2014: 11.43m) with an increase in NFI of 22.74% to £6.53m (2014: £5.32m)

Market conditions improved through the year which was reflected in our improved NFI performance in the first half of the year which accounted for the majority of the NFI growth during the year.

Our business serving the Energy & Renewables sector delivered strong NFI growth during the year and is now branded Prime Energy. This together with additional investment in the business contributed to the operating profit uplift as a percentage of NFI increasing from 13.5% to 15.2%.

**Freelance**

NFI performance was slightly higher in the first six months mainly due to higher margin contracts, which came to an end in the second half of the year.

**Strategic Report****Asia**

	<b>2015</b> <b>£m</b>	<b>2014</b> <b>£m</b>
Revenue	2.99	2.23
Net fee income (NFI)	2.99	2.23
Operating profit	0.37	0.38
Operating profit as % of NFI	12.37%	17.04%
Average number of employees	32	23

NFI grew by 34% to £2.99m (2014: £2.23m). This remains the fastest growing region and represents 29% of Group NFI. The region is covered by our offices in Hong Kong and Singapore. The combined office NFI is approximately 34% up on the previous year.

The region is entirely focused on permanent revenue and across the region we are seeing increasing demand for professionally qualified

candidates, combined with greater interest from domestic clients for our service as cross border capital flows increase.

Average headcount increased by 39%, which is in line with the company strategy to continue to recruit new consultants into those markets where there is potential for NFI and profit growth.

**Rest of the World**

	<b>2015</b> <b>£m</b>	<b>2014</b> <b>£m</b>
Revenue	0.70	0.78
Net fee income (NFI)	0.70	0.78
Operating profit	0.07	(0.07)
Operating profit as % of NFI	8.9%	-
Average number of employees	7	7

The Dubai business is now well settled and operates from a 'free zone'.

We have retained our consultant team throughout the year and despite a very slow start we have finished the year with a relatively strong last quarter. We continue to work on adapting ourselves to our client needs against a backdrop of

economic conditions impacted by the fall in oil price and regional political instability.

NFI in the year reduced by 8.9% but despite this the business is profitable. The Board remain positive as to the future of the business but are, however, conservative as to the prospects in the region for the next twelve months.

**Peter Moore**

Managing Director  
28 May 2015

## Strategic Report

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### Financial Review

#### Revenue

The Group achieved a 15.30% increase in revenue to £16.65 (2014: £14.44m).

#### Net Fee Income (NFI)

NFI comprises the total placement fee of permanent candidates and the margin earned in the placement of temporary staff.

Overall the Group delivered a 22.7% increase in total NFI to £10.22m (2014: £8.33m). NFI from permanent business increased by 25.2% to £9.44m (2014: £7.54m). Fees from our temporary business, which represents 7.7% of total NFI (2014: 9.4%), remained the same as last year at £0.78m.

NFI from international placements, which is included in our permanent business, increased by 22.6% to £3.69m (2014: £3.01m).

#### Administration Costs

Administration costs for the year increased by 20.4% to £8.79m (2014: £7.30m). The increase primarily related to increased staff costs.

#### Profit before Taxation

Profit before taxation increased by 37.41% to £1.44m (2014: £1.05m).

#### Taxation

The taxation charge is £0.31m on a profit on ordinary activities before taxation of £1.44m which gives an effective tax rate of 21.5% (2014: 19.4%). The reasons for the difference from the standard UK corporation tax rate of 21% are detailed in note 7 of the accounts.

#### Earnings Per Share

Basic earnings per share increased by 30.7% to 9.28p (2014: 7.10p). The diluted earnings per share, taking into account existing share options, increased by 31.92% to 9.01p (2014: 6.83p).

#### Dividend

An interim dividend of 1.75p (2014: 1.0p) was paid on 28 November 2014 to shareholders on the register at close of business on 21 November 2014. The interim dividend was approved by the Board on 5 November 2014. A special second interim

dividend of 4p was paid on 2 April 2015 to all shareholders on the register on 27 March 2015. This special second interim dividend was approved by the Board on 19 March 2015. A final dividend of 3.09p (2014: 3.09p) is proposed, taking the total dividend for the year to 8.84p (2014: 4.09p). The proposed dividend will be paid on 26 June 2015 to shareholders on the register on 12 June 2015 subject to approval at the AGM.

#### Return of capital to shareholders

At the start of the year the Group had cash less overdrafts 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 14.809329p per share were sent to shareholders.

#### Balance Sheet

Net assets at 31 March 2015 have reduced to £13.47m which incorporate the £1.8m returned to shareholders (2014: £14.4m).

Trade receivables were up on last year at £2.10m (2014: £1.6m) which reflects the increased revenue for the year. Credit period taken by customers reduced to 38 days (2014: 41 days).

#### Treasury Management and Currency Risk

Approximately 78% of the Group's revenue in 2015 (2014: 79%) was denominated in Sterling. Consequently the Group has a degree of currency exposure in accounting for overseas operations.

Currently the Groups policy is not to hedge against this exposure but it does seek to minimise this exposure by converting into Sterling all cash balances in foreign currency that are not required for local short term working capital monetary needs.

The Group operates a centralised treasury function and has chosen not to renew its borrowing facilities with Barclays Bank Plc as the Board



## Financial Review

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consider that the net cash within the Group is sufficient to meet existing and foreseeable liabilities as they fall due.

### Cash Flow and Cash Position

At the start of the year the Group had cash less overdrafts of £2.96m. After net taxation payments of £0.28m (2014: £0.17m), and before repayment of capital to shareholders of £1.8m, cash generated from operations was £0.41m (2014: £1.42m).

During the course of the year the Group spent £0.17m (2014: £0.17m) on its CRM and management information systems. In addition £0.05m was spent on training associated with the investment in the CRM.

A final dividend for 2014 of £0.38m was paid in June 2014 and an interim dividend for 2015 of £0.21m was paid in November 2014.

At 31 March 2015 the Group had cash less overdrafts of £1.01m

### Measurements of performance in 2015

Whilst the Group considers Net Fee Income (NFI) to be the key indicator of the performance of the business there are other measures which were reported on to senior management as follows:

- Conversion ratio (operating profit divided by NFI) increased to 13.99% (2014: 12.33%)
- Productivity (NFI divided by total average headcount) remained at £91k (2014: £91k)
- Ratio of billing headcount to support headcount increased to 3.4 (2014: 2.9)
- Percentage of NFI paid to staff 62.5% (2014: 61.4%)

These key performance indicators form a basis for reviewing the progress of the business.

### Principal Risks and Uncertainties

Risk management is an important part of the management process throughout the group. The composition of the Board is structured to give balance and expertise when considering the principal risks and uncertainties of the Group.

The Group's strategy is designed to allow the business to grow without increasing risk beyond an acceptable limit. The profile of risks fluctuates from time to time and the actions being taken to manage and control risks are intended to mitigate the effects on the business, but cannot eliminate risks absolutely. According to latest industry surveys strong growth continues across the recruitment profession, alongside more performance stability, but a number of challenges remain of concern for the recruitment sector and are difficult to predict. The Board reviews on a regular basis the principal risks and uncertainties facing the Group. The Board's approach is to ascertain the key risks and develop plans to reduce the potential effects of these risks on the business. The principal risks identified are as follows:

#### *Dependence on Key People*

The sustainable success of the Group is dependent on the continued service of senior management and key people. The loss of the services of the senior management and other key people could have a material effect on the business. To address this, the Group has put in to place an internal recruitment function and invested in management information systems, training and development programmes, competitive pay structures and long term remuneration plans, the aim of which is to retain the key employees.

#### *Competitors*

The Group's focus is on specialist, niche practices where clients need expert knowledge and high levels of service. We concentrate on markets where there is a shortage of supply of suitable candidates and opportunities to build strong and fruitful long term relationships with clients. The Directors believe that the Group is well positioned in its chosen markets. Whilst the Group seeks to continue to improve its competitive positions, the actions of current or indeed potential competitors may adversely affect the Group's business.

#### *Strength of Property Markets*

The market for built environment recruitment services, from which the Group obtains the major part of its revenue, reported strong growth but challenges still remain and are difficult to predict. Our temporary business remains focused in the public sector and has strengthened its position in the private sector. However speculations on the current levels of activity in the property market generally

## Financial Review

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could have a material adverse effect on profitability and cash flows of the business.

The Group is using business models that evolve to operate in more innovative ways. The Group seeks to maximise this potential by understanding its position in the market, which will ultimately help turn further challenges into potential opportunities.

### *Macro economic factors*

Our global competitiveness is linked to the continued development, and flexibility of the nation's labour market. Any fall, in general levels of confidence globally, in 2015, could hamper job growth in our business areas. The Board sees opportunities for development and will continue to invest in areas where growth can be delivered at acceptable levels of profitability, increasing cash generation and growing Group revenue. This includes expanding geographically in its chosen markets and so therefore outcomes could be influenced by the GDP growth of economies in which we operate.

### *Regulatory position*

The increase in regulatory scrutiny and demands on compliance are having an effect on the hiring. The Group is aware of continuing challenges as procurement practice evolves, but remains committed to being compliant in each of the regions in which it operates. In order to reduce the legal and compliance risks, fee earners and support staff receive regular training and updates of changes in legal and compliance requirements.

### *Information Technology*

To provide services to clients and candidates the Group is highly dependent on certain technology systems and the infrastructure on which they operate. These systems rely on specific suppliers who provide the technology infrastructure and disaster recovery solutions. The performance of these suppliers is continually monitored to ensure that the services are available and maintained. The Group is aware of the increasing potential challenges to data integrity and security from both internal and external sources. Therefore, the systems and infrastructure are regularly reviewed and upgraded to ensure appropriate provision of functionality and resilience to support the business as it develops

### *Foreign Exchange Risk*

The Group's international operations account for approximately 22% of revenue (2014: 21%) and approximately 15% of the Group's assets (2014: 7%). Consequently the Group has a degree of translation exposure in accounting for overseas operations and expects this to increase in line with the growth of the Group's operations outside the United Kingdom. Currently the Group's policy is not to hedge against this exposure. However, the Group seeks to minimise this exposure by converting into sterling all cash balances received in foreign currency that are not required for local short term working capital needs. The Group will continue to monitor its policies in this area.

### *Treasury Policies, Liquidity and Financial Risk*

Surplus funds are held to support short term working capital requirements. These funds are invested through the use of short term and period deposits, with a policy of maximising fixed interest returns, whilst providing the flexibility required to fund on-going operations and to invest cash safely and profitably. It is not a Group policy to invest in financial derivatives.

Although the financial risks to which the Group is exposed are currently considered to be minimal, future interest rate, liquidity and foreign currency risks could arise. The Board will continually review its existing policies and make changes as required to limit the financial risks of the business.

### *Credit Risk Management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The principal credit risk arises from the Group's trade receivables. Client credit terms and cash collections are managed carefully and cash balances and cash flow forecast are reviewed weekly. Monthly credit evaluation is performed on the financial condition of accounts receivable based on payment history and third party credit references with appropriate provisions being made.

Chris Heayberd  
**Finance Director**  
**28 May 2015**

## Report of the Directors for the Year Ended 31 March 2015

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The Directors submit their report and the audited Group financial statements of Prime People Plc for the year ended 31 March 2015. Prime People Plc is a public listed company, incorporated and domiciled in England and its shares are quoted on the AIM Market.

### Substantial Shareholders

At 28 May 2015, other than the Director's interests shown in the Directors' remuneration report on page 16 the Company had been notified of the following interests disclosed under the Disclosure and Transparency Rules:

	Number of 10p ordinary shares	Percent of issued share capital %
Peter Hearn	719,500	5.90
The Cayzer Trust Company Limited	439,500	3.60

The mid market quotation of the Company's shares at close of business on 31 March 2015 was 108p. The highest and lowest mid market quotations in the period from 1 April 2014 to 31 March 2015 were 116.50p and 84p.

### Going concern

The Group has two revenue streams permanent and temporary recruiting. The Group has experienced 15% revenue growth in 2015 which was mainly driven by growth in the permanent business. The permanent business, which is largely cash generative, has provided the working capital to support the growth in the temporary.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements. After reviewing these forecasts and having made appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. The Group continue to adopt the going concern basis in preparing the financial statements.

### Environmental Policy

The Group recognises its responsibilities for the environment and gives due consideration to the possible effects of its activities on the environment. As such as our environmental impact comes from the running of our business generating carbon emissions through the consumption of gas and electricity, transport activities and commuting, as well as office based waste such as paper and toners. We do not consider that the Group's activities have a major effect on the environment. However, it is the Group's aim to reduce the environmental impact of its activities and to operate in an environmentally responsible manner. We are, therefore, committed to the following principles to ensure the business operates in an environmentally sensitive manner:

- Encouraging the re-use and re-cycling of products and waste from our offices
- Ensuring efficient use of materials and energy
- Purchasing environmentally friendly materials where appropriate

### Political Donations

The Group made no political donations during the year (2014: Nil).

## **Report of the Directors for the Year Ended 31 March 2015**

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### **Workplace Pensions**

The law on workplace pensions required that the Group automatically enrol certain UK employees into a pension scheme which the Group implemented on 1 July 2014.

### **Capital Structure**

Details of the authorised and issued share capital are shown in note 17. The Company has one class of ordinary shares which carry no right to fixed income and which represents 100% of the total issued nominal value of all share capital. Each share carries the right to one vote at general meetings of the company.

Details of employee share schemes are set out in note 17.

### **Annual General Meeting (“AGM”)**

The AGM will be held on Tuesday 14 July 2015 at 11.00am at 2 Harewood Place, London, W1S 1BX. All shareholders are encouraged to attend. The resolutions to be put forward to the AGM are detailed in the Notice of AGM, which is being circulated separately to all shareholders.

### **Authority to purchase own shares**

The Directors were given authority at last year’s AGM to purchase through the market up to 10% of the Company’s issued share capital, subject to certain restrictions on price. A request for renewal of the authority is included in the resolutions for this year’s AGM.

During the year the company purchased 67,210 shares (2014: 7,000 shares).

### **Statement as to disclosure of information to auditors**

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. The Directors have confirmed that they have taken appropriate steps to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

### **Auditor**

Crowe Clark Whitehill LLP have expressed their willingness to continue in office and a resolution to re-appoint them as Auditor and authorising the Directors to set their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

**Chris Heyberd**  
Finance Director  
28 May 2015

## **Statement of Directors' Responsibilities**

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The Directors are responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and its Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Corporate Governance

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### Statement by the Directors on Corporate Governance

The Board of the Company is committed to achieving high standards of corporate governance, integrity and ethics. The Directors recognise the value and importance of sound corporate governance and support the principles of the UK Corporate Governance Code published in 2012. Although as an AIM listed Company it is not formally required to do so, Prime People has sought to comply with the Code so far as is practical and appropriate for a public Group of its size and nature. The Group also seeks to comply with the recommendations of the QCA on corporate governance.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 11.

The Board has established two committees being the Audit Committee and the Remuneration Committee each of which operates with defined terms of reference.

Membership of these committees as at the date of this report, the number of meetings held in 2015 and the attendance record are summarised in the table below:

Directors	Board	Audit Committee	Remuneration Committee
Robert Macdonald – Executive Chairman	6/6 (Chair)	N	N
Peter Moore – Managing Director	6/6	N	N
Chris Heyberd – Finance Director	6/6	N	N
John Lewis – Non-Executive Director	6/6	1/1	1/1 (Chair)
Simon Murphy – Non-Executive Director	4/6	1/1(Chair)	1/1

Below is a brief description of the role of the Board and its Committees, followed by a statement regarding the Group's system of internal controls.

### The Board and its Operation

The Board of Prime People Plc is the body responsible for corporate governance, establishing policies and objectives, and reviewing the management of the Group's resources.

The Board consists of an executive Chairman, Robert Macdonald, two other Executive Directors and two Non-Executive Directors all of whom held office throughout the year.

The Non-Executive Directors are John Lewis and Simon Murphy. Both receive a fixed fee for their services and their interests in the shares of the Company are set out in the Remuneration Report on page 17.

Biographical details for all the Directors are shown on page 56.

## **Corporate Governance**

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### **The Board and its Operation** (continued)

The Board meets at least five times each year and more frequently where business needs require and the Directors receive monthly management accounts detailing the performance of the Group. The Board has a general

responsibility for overseeing all day to day matters of the Company with specific responsibility for reviewing trading performance, resources (including key appointments), finding, setting and monitoring strategy, examining acquisition opportunities and reporting to shareholders. The non-executive Directors have a responsibility to ensure the strategies proposed by the executive Directors are fully considered and to bring their judgment to bear in this role.

To enable the Board to function effectively and Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including monthly business progress reports and discussion documents regarding specific matters.

Directors are free to and regularly make further enquiries where they feel it is necessary and they are able to take independent professional advice as required at the Company's expense. This is in addition to the access which every Director has to the Company secretary.

The Board considers itself to be a "small board", and therefore has not set up a separate Nomination Committee. Appointments to the Board of both executive and non-executive Directors are based on approval by the full Board.

Any Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek reappointment by shareholders at the next Annual General Meeting. The Articles also require that one-third of the Directors retire by rotation each year and seek reappointment at the Annual General Meeting.

The Directors have resolved that they will retire at least once every three years even though not required by the Company's Articles.

The executive Directors abstain from any discussion or voting at full board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on their own remuneration package.

Remuneration of non-executive Directors is determined by the Board. Non-executive Directors abstain from discussions concerning their own remuneration.

The Company publishes a full annual report and financial statements which are available on the Prime People website, to shareholders on request and to other parties who have an interest in the Group's performance.

All shareholders have the opportunity to put questions at the Company's Annual General Meeting.

### **Audit Committee**

The Audit Committee comprises the two non-executive Directors of the Company and is chaired by Simon Murphy. During the year the committee met once which was considered sufficient by both committee members to deal with matters referred to it in the year. By invitation, the meetings are also attended by the Finance Director.

The Audit Committee's principal tasks are to ensure the integrity of the Company's Financial Reporting process, review the effectiveness of the Group's internal controls including risk management, review the scope of the work of the external Auditor and their independence, consider issues raised by the external Auditor, review audit effectiveness and review the half-yearly and annual accounts focusing in particular on accounting policies and compliance and on areas of management judgement and estimates.

## **Corporate Governance**

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### **Remuneration Committee**

The members of the Remuneration Committee comprise the two non-executive Directors of the Company and is chaired by John Lewis.

The committee reviews the Group policy on the Executive Directors' remuneration and terms of employment, makes recommendations on this and also approves the provision of policies for the incentivisation of senior employees, including share schemes.

The principal terms of reference of the committee are set out in the Remuneration Report on pages 16 to 18. The report also contains full details of Directors' remuneration and a statement of the Company's remuneration policy. The committee meets when required to consider all aspects of the executive Directors' remuneration, drawing on outside advice as necessary.

### **Internal Controls**

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness which, by its nature, can only provide reasonable and not absolute assurance against material misstatement or loss.

When undertaking their review the Directors have considered all material controls including operational, compliance and risk management, as well as financial.

The Board has assessed the effectiveness of the Group's internal control systems for the period 1 April 2014 to the date of approval of the financial statements and believes it has the procedures in place to safeguard the Group's assets and to ensure the reliability of information used within the business and for publication.

Key elements of the system of internal control are as follows:

#### *Group Organisation*

The Board of Directors meet up to six times a year and more frequently when required focusing mainly on strategic issues, operational and financial performance. The Directors have in place an organisational structure with clearly defined levels of responsibility and delegation of authority.

#### *Annual Business Plan*

The Group has a comprehensive budgeting system with an annual budget approved by the Board.

#### *Monthly Forecasting*

The Group prepares monthly fee income forecasts by individual businesses which are compared to budget.

#### *Financial Reporting*

Detailed monthly reports are produced showing comparison of results against budget, forecast and the prior year with performance monitoring and explanations provided for significant variances. Any significant adverse variances are examined and remedial action taken where necessary.

#### *Capital Expenditure*

Capital expenditure requests are reviewed by the Board. Appropriate due diligence work will be carried out if a business is to be acquired.

#### *Levels of authority*

There are clear levels of authority, delegation and management structure.



## **Corporate Governance**

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### **Internal Controls** (continued)

#### *Risk Management*

The Directors and operating Company management have a clear responsibility for identifying risks facing each of the businesses and for putting in place procedures to mitigate and monitor risks. Risks are assessed during the annual budget process, which is monitored by the Board, and the ongoing Group strategy process.

#### **Whistleblowing Policy**

The Company is committed to maintaining the highest ethical standards and the personal and professional integrity of its employees, suppliers, contractors and consultants. It encourages all individuals to raise any concerns that they may have about the conduct of others in the business or the way in which the business is run. The aim of the policy is to ensure that as far as is possible, our employees are able to tell us about any wrong doing at work which they believe has occurred or is likely to occur.

#### **Dialogue with shareholders**

Many of those who continue to hold shares in the Company are, or have been employed within the business. The original owners of Macdonald & Company Group still hold considerable share interests and retain a strong interest in the company's success and reputation.

**Robert Macdonald**  
Chairman  
28 May 2015

## **Remuneration Report**

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### **The role of the Remuneration Committee**

The Remuneration Committee met once this year and comprises John Lewis and Simon Murphy. The Committee is chaired by John Lewis.

The purpose of the Remuneration Committee is to review, on behalf of the Board, the remuneration policy for the Chairman, Executive Directors and other Senior Executives and to determine the level of remuneration, incentives and other benefits, compensation payments and terms of employment of the Executive Directors and other Senior Executives. It seeks to provide a remuneration package that strongly aligns the interests of management with those of shareholders.

### **Remuneration Policy**

The main aim of the Committee is to attract, retain and motivate high calibre individuals with a remuneration package comprising of basic salary, incentives and rewards which are linked to the overall performance of the Group and which are comparable to pay levels in companies of similar size and in similar business sectors.

### **Directors' Service Contracts**

The Executive Chairman and Managing Director have service contracts which contain a notice period of one year which are terminable by either party giving one years notice. The service contracts also contain restrictive covenants preventing the Executive Directors from competing with the Group for one year following the termination of employment and preventing both Directors from soliciting key employees, clients and candidates of the employing Group and Group companies for 12 months following termination of employment. There are no provisions for liquidated damages on the early termination of any of the Directors' service contracts, nor provisions for mitigating damages.

The Finance Director has a service contract which contains a notice period of 3 months which is terminable by either party giving 3 months notice. The service contract also contains restrictive covenants preventing him from competing with the Group for 3 months following the termination of employment and preventing him from soliciting key employees, clients and candidates of the employing Group and Group companies for 3 months following termination of employment. There are no provisions for liquidated damages on the early termination of any of the Directors' service contracts, nor provisions for mitigating damages.

### **Non-Executive Directors' Remuneration and Terms of Services**

Both Non-Executive Directors have letters of appointment which entitle either party to give three months notice. The remuneration of the Non-Executive Directors is determined by the Board. The Non-Executive Directors do not receive any pension or other benefits, other than out of pocket expenses, from the Group, nor do they participate in any bonus schemes.

The remuneration agreed by the Committee for the Executive Directors contains some or all of the following elements: a base salary and benefits, an annual bonus reflecting Group and individual performance and share options.

### **Base Salary and Benefits**

The Committee establishes salaries and benefits by reference to those prevailing in the employment market generally for Executive Directors of companies of comparable status and market value. Reviews of such base salary and benefits are conducted annually by the committee.

## Remuneration Report

### Emoluments of Directors

The aggregate emoluments of Directors who served during the year are shown in the table below. Emoluments include management salaries, fees as Directors and benefits. Emoluments shown are in respect of each Director's period in office during the year as a Board member of Prime People Plc, and includes emoluments from the Company and its subsidiary undertakings.

	Salaries and fees £	Benefits £	Gain on exercise of share options £	2015 Total £	2014 Total £
<b>Executive Chairman</b>					
Robert Macdonald	114,122	4,513		118,635	115,766
<b>Executive Directors</b>					
Peter Moore (Notes 1 & 2)	176,377	47,535	6,184	230,096	273,537
Chris Heayberd	71,459	4,248		75,707	66,405
<b>Non-Executive Directors</b>					
John Lewis	19,389	-		19,389	18,925
Simon Murphy	19,389	-	39,350	58,739	18,925
	400,736	56,296	48,534	502,566	493,558

Notes to the emoluments:

- 1 - Peter Moore is the highest paid Director,
- 2 - Peter Moore relocated to Singapore in August 2012 and was provided with family accommodation until September 2014, when he returned to the UK
- 3 - Benefits include accommodation, subscriptions, medical and travel allowance,
- 4 - The Group does not operate a defined benefit pension scheme.

### Directors' interests in shares

Directors' beneficial interest in the shares of the Company at 31 March 2015 were as follows:

	Ordinary shares of 10p each held at 31 March 2015	Percentage of issued share capital at 31 March 2015	Ordinary shares of 10p each held at 31 March 2014	Percentage of issued share capital at 31 March 2014
Robert Macdonald	2,780,000	22.80%	2,480,000	20.55%
Peter Moore	2,907,721	23.85%	2,897,500	24.01%
Chris Heayberd	24,000	0.20%	324,000	2.69%
John Lewis	1,088,500	8.93%	1,008,500	8.36%
Simon Murphy	330,000	2.7%	230,000	1.91%

## Remuneration Report

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### Share option schemes

As at 31 March 2015 Director's options on ordinary shares of 10p each granted under the Prime People Enterprise Management Incentive Scheme, were as follows:

Director	Year of grant	Exercise price	Number of options 31 March 2014	Exercised	Number of options 31 March 2015
Simon Murphy	2005/6	57.7p	184,234	(100,000)	84,234

The performance criteria on Directors share options granted in 2005/6 were achieved when the Company acquired Macdonald & Company Group Limited in January 2006.

During 2015 options granted to Peter Moore on ordinary shares of 10p each granted under the Prime People SAYE scheme totalling 10,221 matured and were exercised on 28 February at the exercise price of 56p.

### Directors' Insurance

Directors' and officers' liability insurance is provided at the cost of the Group for all Directors' and Officers'.

### Annual Resolution

Shareholders will be given the opportunity to approve the Remuneration report at the Annual General Meeting.

### John Lewis

Chairman of the Remuneration Committee  
28 May 2015

## **Independent Auditor's Report**

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### **Independent Auditor's Report to the Members of Prime People Plc**

We have audited the financial statements of Prime People Plc for the year ended 31 March 2015 which comprise Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Auditor**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditor's.

#### **Scope of the audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report, Chairman's Statement, Financial Review, Corporate Governance and Remuneration Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Independent Auditor's Report** (continued)

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**Opinion on Financial Statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other Matter Prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are Required to Report by Exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Matthew Stallabrass  
Senior Statutory Auditor  
For and on behalf of  
**Crowe Clark Whitehill LLP**  
Statutory Auditor  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

28 May 2015

## Consolidated Statement of Comprehensive Income

### For the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
<b>Revenue</b>	2, 3	<b>16,647</b>	14,442
Cost of sales		(6,425)	(6,115)
<b>Net fee income</b>		<b>10,222</b>	8,327
Administrative expenses		(8,792)	(7,300)
<b>Operating profit</b>	4	<b>1,430</b>	1,027
Finance income		6	20
Finance expense		-	(2)
<b>Profit before taxation</b>		<b>1,436</b>	1,045
Income tax expense	7	(310)	(203)
<b>Profit for the year</b>		<b>1,126</b>	842
<b>Other comprehensive income</b>			
Exchange profit/(loss) on translating foreign operations		130	(111)
<b>Other Comprehensive income for the year</b>		<b>130</b>	(111)
<b>Total comprehensive income for the year</b>		<b>1,256</b>	731
<b>Attributable to:</b>			
Equity shareholders of the parent		1,256	731
<b>Earnings per share</b>	9		
Basic earnings per share		<b>9.28p</b>	7.10p
Diluted earnings per share		<b>9.01p</b>	6.83p

The above results relate to continuing operations

## Consolidated Statement of Changes in Equity

### For the year ended 31 March 2015

	Called up share capital £'000	Capital Redemp- tion reserve £'000	Treasury shares £'000	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Trans- lation reserve £'000	Retained Earnings £'000	Total £'000
<b>At 1 April 2013</b>	<b>1,207</b>	<b>9</b>	<b>(191)</b>	<b>7,109</b>	<b>173</b>	<b>97</b>	<b>423</b>	<b>5,256</b>	<b>14,083</b>
Total comprehensive income for the year	-	-	-	-	-	-	(111)	842	731
Adjustment in respect of share schemes	-	-	-	-	-	23	-	23	46
Shares issued from treasury	-	-	53	-	-	-	-	-	53
Shares purchased for treasury	-	-	(5)	-	-	-	-	-	(5)
Dividend	-	-	-	-	-	-	-	(485)	(485)
<b>At 31 March 2014</b>	<b>1,207</b>	<b>9</b>	<b>(143)</b>	<b>7,109</b>	<b>173</b>	<b>120</b>	<b>312</b>	<b>5,636</b>	<b>14,423</b>
Total comprehensive income for the year	-	-	-	-	-	-	130	1,126	1,256
Capital reduction (Note 17)	-	-	-	(1,800)	-	-	-	-	(1,800)
Adjustment in respect of share schemes	-	-	-	-	-	92	-	38	130
Issues of ordinary shares	12	-	-	48	-	-	-	-	60
Shares issued from treasury	-	-	42	13	-	-	-	-	55
Shares purchased for treasury	-	-	(62)	-	-	-	-	-	(62)
Adjustment on share disposal	-	-	142	-	-	-	-	(142)	-
Dividend	-	-	-	-	-	-	-	(588)	(588)
<b>At 31 March 2015</b>	<b>1,219</b>	<b>9</b>	<b>(21)</b>	<b>5,370</b>	<b>173</b>	<b>212</b>	<b>442</b>	<b>6,070</b>	<b>13,474</b>



## Consolidated Statement of Financial Position

As at 31 March 2015

	Note	2015 £'000	2014 £'000
<b>Assets</b>			
<b>Non – current assets</b>			
Goodwill	11	9,769	9,769
Property, plant and equipment	10	316	328
		<b>10,085</b>	10,097
<b>Current assets</b>			
Trade and other receivables	13	4,538	3,535
Cash at bank and in hand	21	1,009	2,963
		<b>5,547</b>	6,498
<b>Total assets</b>		<b>15,632</b>	16,595
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities	14	-	1
Trade and other payables	15	1,958	2,005
Current tax liabilities		184	151
		<b>2,142</b>	2,157
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	16	15
		<b>16</b>	15
<b>Total liabilities</b>		<b>2,158</b>	2,172
<b>Net assets</b>		<b>13,474</b>	14,423

## Consolidated Statement of Financial Position

As at 31 March 2015

	Note	2015 £'000	2014 £'000
<b>Capital and reserves attributable to the Company's equity holders</b>			
Called up share capital	17	1,219	1,207
Capital redemption reserve fund	18	9	9
Treasury shares	18	(21)	(143)
Share premium account	18	5,370	7,109
Merger reserve	18	173	173
Share option reserve	18	212	120
Translation reserve	18	442	312
Retained earnings	18	6,070	5,636
<b>Total equity</b>		<b>13,474</b>	<b>14,423</b>

The financial statements on pages 21 to 54 were approved by the Board of Directors and authorised for issue on 28 May 2015 and are signed on its behalf by:

R J G Macdonald

C I Heayberd

## Company Statement of Financial Position

As at 31 March 2015

	Note	2015 £'000	2014 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	12	10,876	10,876
Deferred tax asset	16	1	1
		<b>10,877</b>	<b>10,877</b>
<b>Current assets</b>			
Trade and other receivables	13	499	15
Cash and cash equivalents	21	446	2,672
		<b>945</b>	<b>2,687</b>
<b>Total assets</b>		<b>11,822</b>	<b>13,564</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other payables	15	213	159
<b>Total liabilities</b>		<b>213</b>	<b>159</b>
<b>Net assets</b>		<b>11,609</b>	<b>13,405</b>
<b>Capital and reserves attributable to the Company's equity holders</b>			
Called up share capital	17	1,219	1,207
Capital redemption reserve fund	18	9	9
Treasury shares	18	(21)	(143)
Share premium account	18	5,370	7,109
Merger reserve	18	173	173
Share option reserve	18	15	32
Retained earnings	18	4,844	5,018
<b>Total equity</b>		<b>11,609</b>	<b>13,405</b>

The financial statements of Prime People Plc, Company Number 1729887 were approved by the Board and authorised for issue on 28 May 2015 and are signed on its behalf by:

R J G Macdonald

C I Heayberd

## Company Statement of Changes in Equity

For the year ended 31 March 2015

Company	Called up share capital £'000	Capital Redemption reserve £'000	Treasury shares £'000	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2013</b>	<b>1,207</b>	<b>9</b>	<b>(191)</b>	<b>7,109</b>	<b>173</b>	<b>32</b>	<b>5,002</b>	<b>13,341</b>
Total comprehensive income for the year	-	-	-	-	-	-	501	501
Shares purchased for treasury	-	-	48	-	-	-	-	48
Dividend	-	-	-	-	-	-	(485)	(485)
<b>At 31 March 2014</b>	<b>1,207</b>	<b>9</b>	<b>(143)</b>	<b>7,109</b>	<b>173</b>	<b>32</b>	<b>5,018</b>	<b>13,405</b>
Total comprehensive income for the year	-	-	-	-	-	-	539	539
Issue of ordinary shares	12	-	42	48	-	-	-	102
Capital reduction (Note 17)	-	-	-	(1,800)	-	-	-	(1,800)
Adjustment in respect of share options	-	-	-	-	-	(17)	17	-
Shares issued from treasury	-	-	-	13	-	-	-	13
Shares purchased for treasury	-	-	(62)	-	-	-	-	(62)
Adjustment on share disposal	-	-	142	-	-	-	(142)	-
Dividend	-	-	-	-	-	-	(588)	(588)
<b>At 31 March 2015</b>	<b>1,219</b>	<b>9</b>	<b>(21)</b>	<b>5,370</b>	<b>173</b>	<b>15</b>	<b>4,844</b>	<b>11,609</b>

## Group and Company Cash Flow Statement

For the year ended 31 March 2015

		<b>Group</b>		<b>Company</b>	
	Note	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Cash generated from (used in) underlying operations</b>	<b>20</b>	<b>685</b>	1,586	<b>(436)</b>	723
Income tax paid		<b>(276)</b>	(230)	<b>(10)</b>	(5)
Income tax received		-	60		
<b>Net cash from/(used by) operating activities</b>		<b>409</b>	1,416	<b>(446)</b>	718
<b>Cash flows from investing activities</b>					
Net interest received		<b>6</b>	18	<b>6</b>	18
Net purchase of property, plant and equipment		<b>(156)</b>	(180)	-	-
Dividend received		-	-	<b>550</b>	450
<b>Net cash (used in)/from investing activities</b>		<b>(150)</b>	(162)	<b>556</b>	468
<b>Cash flows from financing activities</b>					
Capital reduction		<b>(1,800)</b>	-	<b>(1,800)</b>	-
Issue of ordinary share capital		<b>72</b>	-	<b>72</b>	-
Shares issued from treasury		<b>42</b>	(5)	<b>42</b>	-
Shares purchased for treasury		<b>(62)</b>	53	<b>(62)</b>	48
Dividend paid to shareholders		<b>(588)</b>	(485)	<b>(588)</b>	(485)
<b>Net cash used in financing activities</b>		<b>(2,336)</b>	(437)	<b>(2,336)</b>	(437)
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(2,077)</b>	817	<b>(2,226)</b>	749
<b>Cash and cash equivalents at beginning of the year</b>		<b>2,962</b>	2,256	<b>2,672</b>	1,923
Effect of foreign exchange rate changes		<b>130</b>	(111)	-	-
<b>Cash and cash equivalents at the end of the year</b>		<b>1,009</b>	2,962	<b>446</b>	2,672

## **Notes to the Financial Statements**

### **For the year ended 31 March 2015**

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#### **1 Nature of Operations**

Prime People Plc ('the Company') and its subsidiaries (together 'the Group') is an international recruitment services organisation with offices in the United Kingdom, the Middle East and the Asia Pacific region from which it serves an international client base. The Group offers both permanent and contract specialist recruitment consultancy for large and medium sized organisations.

The Company is a public limited Company which is quoted as an AIM Company and is incorporated and domiciled in the UK. The address of the registered office and the principal place of business is 2 Harewood Place, London W1S 1BX. The registered number of the Company is 1729887.

#### **2 Summary of Significant Accounting Policies**

##### **Basis of Preparation**

The financial statements of Prime People Plc consolidate the results of the Company and all its subsidiary undertakings. As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company has not been included as part of these financial statements. The amount of profit after tax and before dividends dealt with in the financial statements of the parent is £537,595 (2014: profit £501,331). The financial statements have been prepared on a going concern basis.

The consolidated financial statements of Prime People Plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and also comply with IFRIC interpretations and Company Law applicable to Companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention modified as necessary so as to include any items at fair value, as required by accounting standards.

The consolidated financial statements for the year ended 31 March 2015 (including comparatives) are presented in GBP '000.

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2015 and are described below.

##### **International Accounting Standards (IAS/IFRS) and Interpretations in issue but not yet approved**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective. These have not been adopted early by the Group and the initial assessment indicates that either they will not be relevant or will not have a material impact on the Group:

##### Standards

- IFRS 14 Regulatory Deferral Accounts ( Issued January 2014, effective date 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers ( Issued May 2014, effective date 1 January 2017)
- IFTS 9 Financial Instruments ( Issued July 2014, effective date 1 January 2018)

Amendments (Effective date for all amendments listed is 1 January 2016)

- IFRS 11 Amendments: Accounting for Acquisitions of Interest in Joint Operations ( Issued May 2014)
- IAS 16 and IAS 38 Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation ( Issued May 2014)

## **Notes to the Financial Statements**

### **For the year ended 31 March 2015**

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#### **International Accounting Standards (IAS/IFRS) and Interpretations in issue but not yet approved** (continued)

- IAS 27 Amendment – Equity Method in Separate Financial Statements ( Issued August 2014)
- Annual Improvements to IFRSs 2012 – 2014 Cycle ( Issued September 2014)
- Amendments to IAS 1: Disclosure Initiative (Issued December 2014)

## **2 Summary of Significant Accounting Policies (continued)**

### **Consolidation**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-Company transactions and balances on transactions between Group companies are eliminated in preparing the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **Going Concern**

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements and have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

## **Notes to the Financial Statements**

### **For the year ended 31 March 2015**

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## **2 Summary of Significant Accounting Policies (continued)**

### **Revenue recognition**

#### **a) Revenue**

Revenue, which excludes value added tax (“VAT”), constitutes the value of services undertaken by the Group from its principal activities, which are recruitment consultancy and other ancillary services. These consist of:

- Revenue from temporary placements, which represents amounts billed for the services of temporary staff, including the salary of these staff. This is recognised when the service has been provided;
- Revenue from permanent placements, which is based on a percentage of the candidate’s remuneration package and is derived from both retained assignments (income recognised on completion of defined stages of work) and non-retained assignments (income recognised at the date an offer is accepted by a candidate, a start date has been agreed but employment has not yet commenced). The latter includes revenue anticipated but not invoiced at the balance sheet date, which is correspondingly accrued on the balance sheet within prepayments and accrued income. A provision is made against accrued income based on past historical experience for possible cancellations of placements prior to, or shortly after, the commencement of employment; and
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### **b) Cost of Sales**

Cost of sales consists of the salary cost of temporary staff and costs incurred on behalf of clients, principally advertising costs.

#### **c) Net Fee Income**

Net fee income represents revenue less cost of sales and consists of the total placement fees of permanent candidates, the margin earned on the placement of temporary candidates and the margin on advertising income.

#### **d) Foreign Currency Translation**

##### **(i) Functional and Presentation Currency**

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Sterling, which is the Company’s functional and presentation currency.

##### **(ii) Transactions and Balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.



## Notes to the Financial Statements

### For the year ended 31 March 2015

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## 2 Summary of Significant Accounting Policies (continued)

### d) Foreign Currency Translation (continued)

#### (iii) Group Companies

On consolidation the results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each year end presented are translated at the closing rate of that year end;
- income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

### e) Intangible Assets

#### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'.

As permitted by the exception in IFRS1 'First time adoption of International Reporting Standards', the Group has elected not to apply IFRS3 'Business combinations' to goodwill arising on acquisition that occurred before the date of transition to IFRS.

Separately recognised goodwill is reviewed annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

#### (ii) Computer Software

Computer software acquired by the Group is stated at cost. These costs are amortised to write the cost off in equal annual instalments over three years.

### f) Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation less provisions for impairment. Depreciation is provided on all property, plant and equipment using the straight-line method at rates calculated to write off the cost less estimated residual values over their estimated useful lives, as follows:

- Leasehold improvements over the expected period of the lease.
- Furniture, fittings and computer equipment 25% – 33%
- Motor vehicles 33%

The gain or loss arising on disposal or retirement of an asset is determined by comparing the sales proceeds with the carrying amount of the asset and is recognised as income.

## **Notes to the Financial Statements**

### **For the year ended 31 March 2015**

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## **2 Summary of Significant Accounting Policies (continued)**

### **g) Impairment of Assets**

Assets that have an indefinite useful economic life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### **h) Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### **i) Leased Assets and Obligations**

All of the Group's leases are operating leases and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

The benefit of rent free periods received for entering into a lease is spread evenly over the lease term.

### **j) Pension Costs**

On 1 July 2014, the Group automatically enrolled certain UK employees on NEST workplace pension, as required by law. The Group assesses the employees based on age and qualifying earning into three categories: Eligible jobholders, non-eligible jobholders and entitled workers. The contributions relate to staff who are eligible jobholders and have not 'opted out' of the scheme; and non-eligible jobholders and entitled workers who have 'opted in'.

The qualifying earnings include, but are not exhaustive of: salary, commission, bonuses, and statutory payments. The Group adopted the minimum legally required employer contribution rate of 1% of qualifying earnings and up to the maximum earning threshold for automatic enrolment for 2014-15, as set by the Pension Regulator.

## **Notes to the Financial Statements**

### **For the year ended 31 March 2015**

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## **2 Summary of Significant Accounting Policies (continued)**

### **j) Pension Costs (continued)**

Every year, the Department for Work and Pensions (DWP) reviews the earnings thresholds for automatic enrolment. Where there's a change, we will update this page with the new thresholds after DWP has announced them.

The changes take effect from the start of the next tax year following the changes on 6 April.

The pension costs charged to profit or loss represent the contributions payable by the Group during the year. Pension liabilities at the Balance Sheet date represent employer and employee pension contributions, that are payable to the pension provider by the 22nd date of each month.

### **k) Segmental Reporting**

IFRS8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Managing Director to allocate resources to the segment and to assess their performance.

### **l) Financial instruments**

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provision of the instrument.

### **m) Financial assets**

The Group's financial assets comprise cash and various other receivable balances that arise from its operations. Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets are assessed for impairment at each balance sheet date, and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss account. If in a subsequent period the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents includes cash in hand and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are classified with current liabilities in the statement of financial position.

## **Notes to the Financial Statements**

### **For the year ended 31 March 2015**

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#### **2 Summary of Significant Accounting Policies (continued)**

##### **n) Financial liabilities and equity**

Financial liabilities and equity instruments are initially measured at fair value and are classified according to the substance of the contractual arrangements entered into. Financial liabilities are subsequently measured at amortised cost. The Group's financial liabilities comprise trade payables, borrowings, bank overdrafts and other payable balances that arise from its operations. They are classified as 'financial liabilities measured at amortised cost'.

##### **o) Share-Based Compensation**

The Group operates equity-settled share-based compensation plans.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). At the balance sheet date the number of outstanding options is adjusted to reflect those options that have been granted during the year or have lapsed in the year.

##### **p) Dividend Distribution**

A final dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividend distributions are recognised in the period in which they are approved and paid.

##### **q) Critical Accounting Estimates and Judgements**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

###### **Revenue Recognition**

Revenue from permanent placements is recognised when a candidate formally accepts an offer of employment, a start date has been agreed, but employment has not commenced. A 'fall-through' provision is made by management, based on historical experience, for the proportion of those placements where the offer of employment is not taken up. Management have reviewed the past assumptions made with respect to the 'fall-through' provisions and consider that they remain reasonable. The fall through provision is estimated at 16.5 % of those offers where employment has yet to commence (2014: 21.9%). The Directors consider that a change in the range of possible outcomes, or sensitivity, would not have a material impact on the business.

###### **Goodwill Impairment**

The Group's determination of whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill is allocated. This requires estimation of future cash flows and the selection of a suitable discount rate details of which are disclosed in note 11.

## Notes to the Financial Statements

### For the year ended 31 March 2015

## 2 Summary of Significant Accounting Policies (continued)

### q) Critical Accounting Estimates and Judgements (continued)

#### Trade Receivables

There is uncertainty regarding customers who may not be able to pay as their debts fall due. In reviewing the appropriateness of the provisions in respect of recoverability of trade receivables, consideration has been given to the ageing of the debt and the potential likelihood of default, taking into account current economic conditions. Details of the total amount of receivables past due and the movement in allowance for doubtful debts are disclosed in note 13.

## 3 Segment Reporting

### a) Revenue and Net Fee Income, by Geographical Region

	Revenue		Net fee income	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
UK	12,957	11,432	6,532	5,317
Asia	2,992	2,230	2,992	2,230
Rest of World	698	780	698	780
	<b>16,647</b>	14,442	<b>10,222</b>	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 described in note 2. 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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Permanent				
-UK	5,760	4,548	5,747	4,533
-Asia	2,992	2,230	2,992	2,230
-Rest of World	698	780	698	780
Temporary (UK)	7,197	6,884	785	784
Total	<b>16,647</b>	14,442	<b>10,222</b>	8,327

## Notes to the Financial Statements

### For the year ended 31 March 2015

### 3 Segment Reporting (continued)

#### c) Profit before Taxation by Geographical Region

	2015 £'000	2014 £'000
UK	993	719
Asia	370	381
Rest of World	67	(73)
Operating Profit	1,430	1,027
Net finance income	6	18
Profit before taxation	1,436	1,045

Operating profit is the measure of profitability regularly reviewed by the Board, which collectively acts as the Chief Operating Decision Maker. Consequently, no segmental analysis of interest or tax expenses are provided.

Segment operating profit is the profit earned by each operating unit and includes inter segment revenues totalling £0.64m (2014 £0.37m) for the UK, and charges of £0.53m (2014 £0.24m) for Asia and £0.11m (2014 £0.13m) for the rest of the world.

#### d) Segment Assets and Liabilities by Geographical Region

	Total non-current assets		Total liabilities	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
UK	10,023	10,062	1,309	1,380
Asia	50	7	687	656
Rest of World	12	28	162	136
Total	10,085	10,097	2,158	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 asset include property, plant and equipment and computer software.

## Notes to the Financial Statements

### For the year ended 31 March 2015

#### 4 Profit on ordinary activities before taxation

	2015 £'000	2014 £'000
Profit for the year is arrived at after charging:		
Depreciation - owned assets	170	116
Operating lease rentals - land and buildings	471	353
- other operating leases	-	2
Loss/(profit) on disposal of fixed assets	1	(2)
Exchange rate loss	1	25
The analysis of auditors remuneration is as follows:		
Audit of company	12	12
Audit of subsidiaries	31	30
Total audit fees	43	42
Tax compliance services (i.e. related to assistance with corporate tax returns)	2	2
Total fees	45	44

#### 5 Directors' emoluments

	2015 £'000	2014 £'000
Emoluments for qualifying services	503	494
	503	494
Highest paid Director:		
Emoluments for qualifying services	230	274

Details of Directors' emoluments and interests, which form part of these financial statements, are provided in the Director's Remuneration report on pages 16 to 18.

## Notes to the Financial Statements

### For the year ended 31 March 2015

#### 6 Employees

<b>Group</b>	<b>2015 Number</b>	<b>2014 Number</b>
The average monthly number of employees of the Group during the year, including Directors, was as follows:		
Consultants	84	63
Management and administration	25	22
Temporary staff	3	6
	<b>112</b>	<b>91</b>

<b>Company</b>	<b>2015 Number</b>	<b>2014 Number</b>
The average monthly number of employees of the Company during the year, including Directors, was as follows:		
Management	5	5

Staff costs for all employees, including Directors, but excluding temporary staff placed with clients are as follows and have been included in Administration expenses in the consolidated statement of comprehensive income:

<b>Group</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Wages and salaries	5,744	4,677
Social security costs	500	388
Pension contributions	12	-
Share option charge	130	46
	<b>6,386</b>	<b>5,111</b>
<b>Remuneration of key management</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Short term employee benefits (excluding social security costs)	765	816
Share based payments	24	11
	<b>789</b>	<b>827</b>

Key management includes executive Directors and senior divisional managers.



## Notes to the Financial Statements

### For the year ended 31 March 2015

#### 7 Taxation on Profits on Ordinary Activities

	2015 £'000	2014 £'000
<b>a) Analysis of tax charge in the year</b>		
<b>Current tax</b>		
UK Corporation tax	278	123
UK tax over provided in previous years	(21)	(23)
Foreign tax	52	60
<b>Total current tax</b>	<b>309</b>	160
<b>Deferred tax</b>		
Origination and reversal of temporary differences	1	43
<b>Total charge on profit for the year</b>	<b>310</b>	203

UK corporation tax is calculated at 21% (2014: 23%) of the estimated assessable profits for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

**b) The charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:**

	2015 £'000	2014 £'000
<b>Profit before taxation</b>	<b>1,436</b>	1,045
Tax at UK corporation tax rate of 21% (2014: 23%) on profit on ordinary activities	302	247
Effects of:		
Expenses not deductible for tax purposes	16	7
Capital allowances for the period less than depreciation	2	(20)
Tax losses not (utilised)/utilised	19	(45)
Tax rate differences	(20)	(21)
Temporary differences recognised	11	15
Overprovision in prior years	(21)	(23)
<b>Total current tax</b>	<b>309</b>	160
<b>Deferred Tax</b>		
Origination and reversal of temporary differences	1	43
<b>Tax charge for the year</b>	<b>310</b>	203

## Notes to the Financial Statements

### For the year ended 31 March 2015

#### 8 Dividends

	2015 £'000	2014 £'000
Final dividend for 2014: 3.09p per share (2013: 3.09p per share)	376	366
Interim dividend for 2015: 1.75p per share (2014: 1.00p per share)	212	119
	<b>588</b>	<b>485</b>

The final dividend in relation to 2014 was recommended on 28 May 2014 but was not recognised as a liability in the year ended 31 March 2014.

An interim dividend of 1.75p (2014: 1.0p) was paid on 28 November 2014 to shareholders on the register at the close of business on 21 November 2014. The interim dividend was approved by the Board on 7 November 2014.

A special second interim dividend of 4p was paid subsequent to the end of the year to shareholders on the register at the close of business on 27 March 2015. The special second interim dividend was approved by the Board on 17 March 2015 and was paid on 2 April 2015. As interim dividends are recognised only when paid the special second interim dividend has not been included in these financial statements.

A final dividend of 3.09p (2014: 3.09p) is proposed, taking the total dividend for the year to 8.84p (2014: 4.09p). The proposed dividend will be paid on 26 June 2015 to shareholders on the register on 12 June 2015 subject to approval at the AGM.

## Notes to the Financial Statements

### For the year ended 31 March 2015

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#### 9 Earnings per share

Earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

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 shown below.

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year and earnings used in basic and diluted earnings per share	<b>1,126</b>	842
	<b>Number</b>	<b>Number</b>
Weighted average number of shares used for basic earnings per share	<b>12,131,633</b>	11,863,698
Dilutive effect of share options	<b>362,117</b>	462,126
Diluted weighted average number of shares used for diluted earnings per share	<b>12,493,750</b>	12,325,824
	<b>Pence</b>	<b>Pence</b>
Basic earnings per share	<b>9.28p</b>	7.10p
Diluted earnings per share	<b>9.01p</b>	6.83p

## Notes to the Financial Statements

### For the year ended 31 March 2015

#### 10 Property, Plant and Equipment

Group	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>			
At 1 April 2013	747	22	769
Additions	166	20	186
Disposals	(26)	(22)	(48)
Exchange difference	(11)	-	(11)
At 1 April 2014	876	20	896
Additions	168	-	168
Disposals	-	(20)	(20)
Exchange difference	13	-	13
<b>At 31 March 2015</b>	<b>1,057</b>	<b>-</b>	<b>1,057</b>
<b>Depreciation</b>			
At 1 April 2013	483	22	505
Provision for the year	110	6	116
Disposals	(22)	(22)	(44)
Exchange rate loss	(9)	-	(9)
At 1 April 2014	562	6	568
Provision for the year	169	1	170
Disposals	-	(7)	(7)
Exchange rate gain	10	-	10
<b>At 31 March 2015</b>	<b>741</b>	<b>-</b>	<b>741</b>
<b>Net book value</b>			
<b>At 31 March 2015</b>	<b>316</b>	<b>-</b>	<b>316</b>
At 31 March 2014	314	14	328
At 31 March 2013	264	-	264

## Notes to the Financial Statements

### For the year ended 31 March 2015

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#### 11 Goodwill

	£'000
<b>Cost</b>	
At 1 April 2013, 1 April 2014 and <b>31 March 2015</b>	<b>9,769</b>

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The total carrying value of goodwill is £9.77m, which relates to the acquisition of the Macdonald & Company Group of companies in January 2006, has been tested for impairment with the recoverable amount being determined from value in use calculations.

The recoverable amount is determined on a value in use basis utilising the value of cash flow projections. The first year of the projections is based on detailed budgets prepared and approved by management. Subsequent years are based on extrapolations.

The key assumptions in calculating the value in use is that the Group will meet its budgeted growth in net fee income of 17% in the year to 31 March 2016. After the end of the period covered by the budget a 5% growth rate is applied. This growth rate represents the average rate of growth in the markets in which the Group operates. A discount rate of 9% has been applied which represents the weighted average costs of capital for the Group. In the last two years, operating profit achieved exceeded budgeted operated profit by approximately 25%.

Based upon this analysis the asset has not been impaired since the 'recoverable amount' (being the greater of the net realisable value and the value in use) is in excess of its carrying amount by £8.4m. If Operating profit remains constant with no growth into the future or if a discount factor greater than 16% were applied then an impairment loss would need to be recognised.

#### 12 Investments

Company	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 1 April 2013, 1 April 2014 and <b>31 March 2015</b>	<b>10,876</b>

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## Notes to the Financial Statements

### For the year ended 31 March 2015

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#### 12 Investments (continued)

The following are subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements:

	<b>Country of incorporation</b>	<b>Principal activity</b>
Macdonald & Company Group Limited	England and Wales	Holding Company
Macdonald & Company Property Limited	England and Wales	Recruitment
Macdonald and Company Freelance Limited	England and Wales	Recruitment
Macdonald & Company (Overseas) Limited	England and Wales	Dormant
Macdonald & Company Ltd	Hong Kong	Recruitment
Ru Yi Consulting Limited	Hong Kong	Dormant
Macdonald and Company Pte Limited	Singapore	Recruitment
Macdonald & Company Pty Ltd	Australia	Dormant
Macdonald & Company Recruitment Proprietary Ltd	South Africa	Dormant
The Prime Organisation Ltd	England and Wales	Dormant

For all undertakings listed above, the country of operation is the same as its country of incorporation. The Group holds 100% of all classes of issued share capital. The percentage of the issued share capital held is equivalent to the percentage of voting rights for all companies.

## Notes to the Financial Statements

### For the year ended 31 March 2015

#### 13 Trade and other Receivables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Current</b>				
Trade receivables	2,126	1,613	-	-
Allowance for doubtful debts	(102)	(38)	-	-
Other receivables	578	52	4	5
Prepayments and accrued income	1,936	1,908	495	10
	<b>4,538</b>	<b>3,535</b>	<b>499</b>	<b>15</b>

At 31 March 2015, the average credit period taken on sales of recruitment services was 38 days (2014: 41 days) from the date of invoicing. An allowance of £102,000 (2014: £38,000) has been made for estimated irrecoverable amounts. Due to the short-term nature of trade and other receivables, the Directors consider that the carrying value approximates to their fair value.

Prepayments and accrued income principally comprise amounts to be billed for permanent placements with a start date within three months from the start of the new financial year.

The Group does not provide against receivables solely on the basis of the age of the debt, as experience has demonstrated that this is not a reliable indicator of recoverability. The Group provides fully against all receivables where it has positive evidence that the amount is not recoverable.

The ageing of trade receivables at the reporting date was:

	Gross trade receivables		Gross trade receivables	
	2015 £'000	Provisions 2015 £'000	2014 £'000	Provisions 2014 £'000
Not past due	1,635	24	1,255	7
Past due 0-30 days	322	-	276	21
Past due 30-90 days	100	9	82	10
Past due more than 90 days	69	69	-	-
	<b>2,126</b>	<b>102</b>	<b>1,613</b>	<b>38</b>

## Notes to the Financial Statements

### For the year ended 31 March 2015

#### 13 Trade and other Receivables (continued)

Movement in allowance for doubtful debts:

	2015 £'000	2014 £'000
1 April 2014	38	85
Impairment losses recognised	100	38
Amounts written off as uncollectable	(11)	(72)
Impairment losses reversed	(25)	(13)
<b>31 March 2015</b>	<b>102</b>	<b>38</b>

#### 14 Financial Instruments

	Note	Group		Company	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Financial assets</b>					
Trade and other receivables	13	4,538	3,535	499	15
Cash and cash equivalents		1,009	2,963	446	2,672
		<b>5,547</b>	<b>6,498</b>	<b>945</b>	<b>2,687</b>

Cash is held either on current account or on short term deposits at floating rates of interest determined by the relevant bank's prevailing base rate.

	Note	Group		Company	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Financial liabilities</b>					
<b>Current</b>					
Bank overdraft		-	1	-	1
Trade and other payables	15	478	13	13	13
		<b>478</b>	<b>14</b>	<b>13</b>	<b>13</b>

The Group has not renewed its borrowing facilities with Barclays Bank Plc as the Board consider that the net cash within the Group is sufficient to meet existing and foreseeable liabilities as they fall due. There is no material difference between the book values of the Group's financial assets and liabilities and their fair values.

The Group and the Company do not hold any derivative financial instruments.



## Notes to the financial statements

### For the year ended 31 March 2015

#### 15 Trade and other Payables

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Current</b>				
Trade payables	239	303	12	12
Other payables	239	256	1	1
Amount owed to subsidiary undertakings	-	-	145	99
Taxation and social security	567	490	8	20
Accruals and deferred income	913	956	47	27
	<b>1,958</b>	<b>2,005</b>	<b>213</b>	<b>159</b>

Due to the short-term nature of the trade and other payables, the Directors consider that the carrying value approximates to their fair value. Trade payables are generally on 30–60 day terms. No payables are past their due date.

#### 16 Deferred Tax Liability

Group	Tax losses £'000	Accelerated depreciation £'000	Total £'000
At 1 April 2013	(26)	(2)	(28)
Credit to income	26	17	43
At 31 March 2014	-	15	15
Charge to income	-	1	1
<b>At 31 March 2015</b>	<b>-</b>	<b>16</b>	<b>16</b>
<b>Company (Asset)</b>		<b>Accelerated depreciation £'000</b>	<b>Total £'000</b>
At 1 April 2013, 1 April 2014 and <b>31 March 2015</b>		<b>1</b>	<b>1</b>

## Notes to the Financial Statements

### For the year ended 31 March 2015

#### 17 Share Capital

	2015		2014	
	Number	£'000	Number	£'000
AUTHORISED CALLED UP AND FULLY PAID				
Ordinary shares of 10p each				
At 1 April 2014	12,066,500	1,207	12,066,500	1,207
Shares issued	127,449	12	-	-
<b>At 31 March 2015</b>	<b>12,193,949</b>	<b>1,219</b>	12,066,500	1,207

The Company has one class of ordinary shares which carries no right to fixed income and which represents 100% of the total issued nominal value of all share capital.

Each share carries the right to one vote at general meetings of the company. No person has any special rights of control over the company's share capital and all its issued shares are fully paid.

Pursuant to shareholder resolutions at the AGM of the Company on 16 June 2014, the Company has the following authorities during the period up to the next AGM.

- to issue new/additional ordinary shares to existing shareholders through a rights issue up to a maximum nominal amount of £406,465, representing one third of the then issued share capital of the Company;
- to issue new/additional ordinary shares to new shareholders up to a maximum nominal amount of £406,465 representing one third of the issued shares capital of the Company
- to allot equity securities for cash, without the application of pre-emption rights, up to a maximum nominal amount of £60,970 representing 5% of the then issued share capital of the Company; and
- to purchase through the market up to 10% of the Company's issued share capital, subject to certain restrictions on price.

Shareholders will be asked to renew these authorities at the AGM in 2015 on 14 July 2015.

#### Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising returns to shareholders through the optimisation of debt and equity balances. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital reserves and earnings.

The Group manages the capital structure and makes adjustments to it in the light of changes to economic conditions and risks. In order to manage capital the Group has continued to consider and adjust the level of dividends paid to shareholders and also made purchases of its own shares which are held as Treasury Shares. As part of its strategy of seeking to optimise the Group's debt and equity balance the Group also considers the appropriate level of external borrowing and, as disclosed in Note 14, has taken the decision not to renew its borrowing facilities with Barclays Bank.

## Notes to the Financial Statements

### For the year ended 31 March 2015

#### 17 Share Capital (continued)

##### Employee Share Schemes

The Company operates two share options schemes and a HM Revenue & Customs SAYE approved scheme.

##### Enterprise Management Incentive Share Option Scheme

At 31 March 2015 the following options had been granted and remained outstanding in respect of the Company's ordinary shares:

Year of grant	Exercise Price Pence	Exercise Period	Number of options 31 March 2014	Granted	Exercised	Forfeited	Number of Options 31 March 2015
2005/6	57.50	2007-2015*	184,234	-	(100,000)	-	<b>84,234</b>
2008/9	20.77	2011-2016*	51,000	-	(3,000)	-	<b>48,000</b>
	31.50	2012-2017*	10,000	-	0	(10,000)	-
	31.50	2014-2019*	100,000	-	-	-	<b>100,000</b>
2009/10	42.00	2013-2018*	34,000	-	(23,000)	-	<b>11,000</b>
2011/12	68.00	2014-2019*	18,000	-	(10,000)	(5,000)	<b>3,000</b>
2013/14	Nil	2016-2021	124,250	-	-	(20,000)	<b>104,250</b>
	Nil	2019-2021	116,250	-	-	(20,000)	<b>96,250</b>
2014/15	10.00	2016-2021		192,500	-	(5,000)	<b>187,500</b>
	10.00	2019-2021		355,500	-	(5,000)	<b>350,500</b>
<b>Total 2015</b>			<b>637,734</b>	<b>548,000</b>	<b>(136,000)</b>	<b>(65,000)</b>	<b>984,734</b>
<b>Weighted average exercise price 2015 (pence)</b>			<b>27.86p</b>	<b>10.00p</b>	<b>54.84p</b>	<b>11.62p</b>	<b>15.27p</b>
Total 2014			672,234	264,500	(178,000)	(121,000)	637,734
Weighted average exercise price 2014 (pence)			43.48p	Nil	29.66p	51.05p	27.86p

\*These options have fully vested

There were 984,734 options outstanding at 31 March 2015 (2014: 637,734) which had a weighted average price per share of 15.27p (2014: 27.86p). The options vest over a period of two to five years conditional upon the option holders continued employment with the Company.

## Notes to the Financial Statements

### For the year ended 31 March 2015

#### 17 Share Capital (continued)

The conditions applying to those options which are fully vested have been achieved. The number of outstanding options that will vest is dependent on the achievement of a number of key performance measures of the group, measured at a regional and consolidated level for the financial years 2014 and 2015. The fair value of the employee services received in exchange for the grant of the share options is charged to the profit and loss account over the vesting period of the share option, based on the number of options which are expected to become exercisable.

	2015	2014
Share price (pence)	85.00	61.50
Fair value of options granted during the year	76.45	63.42
Expected volatility (%)	14.0	35.0
Risk-free interest rate (%)	4.0	4.0
Expected life of options (years)	2 & 5	2 & 5

Expected volatility was determined by reference to historical volatility of the Company's share price.

The share based payment expense recognised within the income statement during the period was £0.13m (2014: £0.05m).

#### SAYE Share Scheme

The Company operated a Save As You Earn (SAYE) scheme for the benefit of the employees within the Company which was administered by Barclays Bank Trust Company Limited.

On 18 August 2011 all eligible employees within the Group were invited to buy shares in Prime People Plc. On 18 October 2014 the options granted on 18 August 2011 matured. All option holders were given six months from the maturity date to exercise their options. At 31 March 2015 all options had been exercised.

Details are as follows:

Year of grant	Exercise price Pence	Exercise period	Number of options 31 March 2014	Exercised	Number of Options 31 March 2015
2011	56.00	2014	72,383	(72,383)	-
<b>Total 2014</b>			<b>72,383</b>	<b>(72,383)</b>	<b>-</b>
<b>Weighted average exercise price 2015 (pence)</b>			<b>56.0p</b>	<b>56.0p</b>	<b>56.0p</b>
<b>Weighted average exercise price 2014 (pence)</b>			<b>56.0p</b>	<b>56.0p</b>	<b>56.0p</b>

## Notes to the Financial Statements

### For the year ended 31 March 2015

#### 17 Share Capital (continued)

##### Share Premium

The reduction of capital of £1.8m relates to cancellation of part of the amount that stood to the credit of the Company's Share Premium Account. This resulted in return of cash to shareholders who were on the Company's register of members at 16 July 2014, pro rata to their respective holdings of Ordinary Shares. The return of cash amounted to 14.809329p per Ordinary share and was paid to shareholders on 24 July 2014.

#### 18 Reserves

##### Capital Redemption Reserve Fund

The capital redemption reserve relates to the cancellation of the Company's own shares.

##### Treasury Shares

At 31 March 2015, the total number of ordinary shares held in Treasury and their values were as follows:

	2015		2014	
	Number	£'000	Number	£'000
As at 01 April 2014	35,000	143	206,000	191
Shares purchased for treasury	67,210	62	7,000	5
Shares issued from treasury	(80,934)	(42)	(178,000)	(53)
Equity reclassification on disposal of treasury shares	-	(142)	-	-
<b>As at 31 April 2015</b>	<b>21,276</b>	<b>21</b>	<b>35,000</b>	<b>143</b>
Nominal value		2		4
Market value		23		29

The maximum number of shares held in treasury during the year was 54,050 shares representing 0.4% of the called-up ordinary share capital of the Company (2014: 206,000 representing 1.70% of the called-up ordinary share capital of the Company).

##### Share Premium Account

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary shares. During the year, the balance on the share premium account was reduced by £1.81 million relating to return of cash to shareholders.

##### Merger Reserve

The merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued to acquire subsidiaries.

##### Share Option Reserve

The reserve represents the cumulative amounts charged to profit in respect of employee share option arrangements where the scheme has not yet been settled by means of an award of shares to an individual.

## Notes to the Financial Statements

### For the year ended 31 March 2015

#### 18 Reserves (continued)

##### Translation Reserve

The foreign currency translation reserve comprises all presentation foreign exchange differences arising from translation of the financial statements of foreign operations into the presentation currency of the Group accounts.

##### Retained Earnings

The balance held on this reserve is the accumulated retained profits of the Group.

#### 19 Operating Lease Commitments

As at 31 March 2015 the Group was committed to making the following total payments in respect of non-cancellable operating leases:

	Land and buildings 2015 £'000	Other 2015 £'000	Land and buildings 2014 £'000	Other 2014 £'000
Non-cancellable operating leases which expire:				
Within one year	30	-	23	-
Within one to two years	217	-	-	-
Within two to five years	-	-	223	-
After five years	1,861	-	2,115	-
	<b>2,108</b>	<b>-</b>	<b>2,361</b>	<b>-</b>

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms as disclosed above.

## Notes to the Financial Statements

### For the year ended 31 March 2015

#### 20 Reconciliation of Profit Before Tax to Net Cash Inflow from Operating Activities

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Profit before taxation</b>	<b>1,436</b>	1,045	(6)	58
Adjust for:				
Depreciation	170	116	-	-
Share based payment expense	130	46	-	-
Loss/(profit) on sale of plant & equipment	-	(2)	-	-
Net finance income	(6)	(18)	(6)	(18)
<b>Operating cash flow before changes in working capital</b>	<b>1,730</b>	1,187	(12)	40
(Increase)/decrease in receivables	(1,003)	(83)	(489)	581
(Decrease)/increase in payables	(42)	482	65	102
<b>Cash generated from/(used by) underlying operations</b>	<b>685</b>	1,586	(436)	723

#### 21 Analysis of Cash less overdrafts

Group	At 1 April 2014 £'000	Cash flow £'000	At 31 March 2015 £'000
Cash at bank and in hand	2,963	(1,954)	1,009
Bank overdraft	(1)	1	-
<b>Total cash</b>	<b>2,962</b>	<b>1,953</b>	<b>1,009</b>

Company	At 1 April 2014 £'000	Cash flow £'000	At 31 March 2015 £'000
Cash at bank and in hand	2,672	(2,226)	446
<b>Total cash</b>	<b>2,672</b>	<b>(2,226)</b>	<b>446</b>

## **Notes to the Financial Statements**

### **For the year ended 31 March 2015**

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#### **22 Financial Risk Management**

The Board of Directors has overall responsibility for the risk management policies that are applied by the business to identify and control the risks faced by the Group.

The Group has exposure from its use of financial instruments to foreign currency risk, credit risk and liquidity risk.

##### **Foreign Currency**

The Group publishes its consolidated financial statements in Sterling. The functional currencies of the Group's main operating subsidiaries are Sterling, the Singapore Dollar, the Hong Kong Dollar and the UAE Dirham.

The Group's international operations account for approximately 22% (2014: 21%) of revenue and approximately 15% (2014: 7%) of the Group's assets and consequently the Group has a degree of translation exposure in accounting for overseas operations.

Currently the Group's policy is not to hedge against this exposure but it does seek to minimise this exposure by converting into sterling all cash balances in foreign currency that are not required for capital monetary needs. The settlement of intercompany balances held with foreign operations is neither planned nor likely to occur in the foreseeable future. Therefore, exchange differences arising from the translation of the net investments are recognised in Other Comprehensive income.

##### **Credit Risk**

The Group's principal financial assets are bank balances, trade and other receivables. The Group's credit risk is primarily in respect of trade receivables. Credit risk refers to the risk that a client will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure to any individual client. At the year end no customer represented more than 6% (2014: 7%) of the total balance of trade receivables.

In reviewing the appropriateness of the provisions in respect of recoverability of trade receivables, consideration has been given to the ageing of the debt and the potential likelihood of default, taking into account current economic conditions.

It is the Directors' opinion that no further provision for doubtful debts is required.

##### **Liquidity Risk**

The Group manages its liquidity risk by maintaining adequate cash and or credit facilities to meet forecast cash requirements of the Group. Management monitors its forecasted cash flow requirements at a Group level based on monthly returns made by the Group's operating units.

The Group has no financial liabilities other than short term trade payables and accruals as disclosed in note 16, all due within one year of the year end.

The Group has net funds of £1.01m (2014: £2.96m) which the Board consider are more than adequate to meet future working capital requirements and to take advantage of business opportunities.



## **Notes to the Financial Statements**

### **For the year ended 31 March 2015**

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#### **23 Related Party Transactions**

Prime People Plc provides various management services to its subsidiary undertakings. These services take the form of centralised finance and operations support. The total amount charged by the Company to its subsidiaries during the year is £240k (2014: £220k). The balance owed to the subsidiary undertakings at the year end is £145k (2014: £99k).

The Company also provides corporate guarantees on the subsidiary bank accounts. At 31 March 2015 amounts overdrawn by subsidiary bank accounts were nil (2014: £1k).

The Directors receive remuneration from the Group, which is disclosed in the Directors' Remuneration Report. As shareholders, the Directors also received dividends in the year from the Company amounting to £339,048 (2014: £290,881). As part of the return of capital to shareholders, the Directors received £1,027,775.

## **Directors and Advisers**

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### **Directors**

Robert Macdonald (Executive Chairman)  
Peter Moore (Managing Director)  
Chris Heayberd (Finance Director)  
John Lewis OBE (Non-Executive Director)  
Simon Murphy (Non-Executive Director)

### **Secretary and Registered Office**

Chris Heayberd, 2 Harewood Place, London, W1S 1BX.

### **Registered Number**

1729887

### **Stockbrokers & Nominated Advisers**

Cenkos Securities Plc, 6.7.8 Tokenhouse Yard, London, EC2R 7AS

### **Solicitors**

Eversheds, One Wood Street, London, EC2V 7WS.

### **Auditor**

Crowe Clark Whitehill LLP, St Bride's House, 10 Salisbury Square, London, EC4Y 8EH

### **Principal Bankers**

Barclays Bank Plc, Corporate Banking, 1 Churchill Place, London E14 5HP

### **Registrars**

Neville Registrars Limited, Neville House, Laurel Lane, Halesowen, West Midlands, B63 3DA.

## **Board of Directors**

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### **Directors' Biographies**

#### **Robert Macdonald - Executive Chairman**

Robert has held senior positions within the recruitment industry since 1973 when he founded Reuter Simkin Limited, a recruitment business in both the legal and property sectors. Reuter Simkin had both Kleinwort Benson Development Capital and Charterhouse Development Capital as investors. After the sale of Reuter Simkin in 1989, he acquired shares in and was Chairman of two other recruitment companies one of which acquired the legal business of Reuter Simkin in the West of England from PSD in 1992 and traded as Macdonald & Company. In 1994, he established Macdonald & Company as a specialist property recruitment consultancy in London. Led by Robert and Peter Moore, Macdonald & Company Group Ltd completed the reverse takeover of Prime People Plc in January 2006.

#### **Peter Moore MRICS - Managing Director**

Peter graduated from the Royal Agricultural University and then worked with Strutt & Parker from 1992 to 1995, qualifying as a Chartered Surveyor in 1994. He joined Macdonald & Company in 1995 and was appointed Managing Director in 1996. Under Peter's management Macdonald & Company became the largest and most respected real estate focused recruitment provider in the market and the RICS's preferred recruitment partner. Led by Robert Macdonald and Peter Moore, Macdonald & Company Group Ltd completed the reverse takeover of Prime People Plc in January 2006. Since then Peter has been instrumental in developing Prime People into a global specialist recruitment business spanning real estate, energy & environmental, insight & analytics and pharmaceuticals.

#### **Chris Heyberd BA ACA - Finance Director**

Chris qualified as a Chartered Accountant in 1980 and since that date has held a number of financial positions in a broad range of industries. Since 1989 his main focus has been the business services sector. This included 4 years as Finance Director of PSD Group Plc, during which time the Company was admitted to trading on the London Stock Exchange. Chris rejoined the Board of Prime People in June 2000 and for a period of five years combined the role of Finance Director with other business interests. In May 2005 he returned full time to the Board.

#### **John Lewis OBE LLB (Hons) - Non-executive Director**

John is a solicitor (Non Practising) and a consultant to Eversheds LLP (solicitors). Previously he served as a partner in Lewis Lewis & Co which became part of Eversheds after a series of mergers. John is currently Chairman of Photo-Me International Plc and several private companies. He has served as Chairman of Cliveden Plc and Principal Hotels Plc and as deputy Chairman of John D Wood & Co Plc, retiring in each case when the Company was sold.

#### **Simon Murphy BSc ACA - Non-executive Director**

Simon qualified as a Chartered Accountant with Coopers & Lybrand. He is currently Deputy Chief Executive and Chief Financial Officer of Battersea Power Station Development Company and director of a number of private companies including OPD Group Limited an investment company with holdings in a number of recruitment businesses. He was previously a Managing Director in the global investment banking division of HSBC. He was Chief Executive of Prime People from May 2005 until the acquisition of Macdonald & Company Group Ltd.



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