

# Prime People Plc Interim Report

for the six months ended 30 September 2008

# 2008

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## Chairman's Statement

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### Introduction

I am able to report the results set out below for Prime People Plc for the half-year ended 30 September 2008.

Our principal business activity is the provision of recruitment services to the UK and international real estate, infrastructure and commercial property sectors. This activity is operated through our main trading subsidiary, Macdonald & Company.

As has been widely reported and as was referred to in our Close Period Trading Update, global market conditions for our activity have become more difficult. Reflecting the challenging operating conditions that emerged during the latter part of H1, gross fee income increased marginally as a result of an increase in temporary placements by 1 per cent to £12.09 million (2007: £11.97 million). This translated to net fee income ("NFI") for the half year of £6.7 million, a 6 per cent decrease on the previous year (2007: £7.1 million). Pre tax profit for the half year was £0.99 million, which is a 2.9 per cent decrease on the pre tax profit for the previous half year of £1.02 million. Fully diluted earnings per share for the period was 5.36p (2007: 5.63p).

In the UK demand for property professionals for the majority of the period being reported has been falling. As is to be expected, given present economic conditions, current instructions to recruit continue to fall in revenue areas based on transactional activity and the construction and building sectors.

The Group's overseas offices continued to grow in the first half and as anticipated they had a substantial impact on our half year outcome. In the period being reported, the overseas offices contributed 33 per cent of Group NFI (2007: 21 per cent) and we continue to expect NFI derived from these offices to increase as a proportion of total NFI in the second half and the years ahead. However, economic activity is falling in all geographies we serve and will impact on the results for the second half of the year.

### Dividend

During the first half, the Company's focus on cash management resulted in a significant increase in the Group's cash position. As at 30 September 2008, the Group had net cash of £1.07 million compared to net debt of £0.16 million as at 31 March 2008. In our Close Period Trading Update we stated that the Board planned to maintain an interim dividend of 1.35p. However the Board, having taken account of the prevailing economic conditions, have decided that it is both prudent and appropriate not to declare an interim dividend for the six months ended 30 September 2008.

**Chairman's Statement (continued)****Results summary**

The net fee income split is:

	Six months ended 30 September 2008 £'000	Six months ended 30 September 2007 £'000	NFI growth %
<b>Permanent</b>			
- UK	3,106	4,358	-28.7%
- International	2,207	1,519	45.3%
	<u>5,313</u>	<u>5,877</u>	<u>-9.6%</u>
<b>Temporary (UK only)</b>	1,137	1,063	7.0%
<b>Other</b>	230	172	33.7%
	<u>1,367</u>	<u>1,235</u>	<u>10.5%</u>
<b>Total</b>	<u><u>6,680</u></u>	<u><u>7,112</u></u>	<u><u>-6.1%</u></u>

**Outlook**

Significant action has been taken to address the cost base of the business and the benefits of this are already being seen. We expect world economic conditions will continue to impact activity levels in the second half of the year. However, we will take such further actions as are necessary to ensure the business is positioned to operate efficiently in the conditions that prevail, whilst maintaining the capacity to exploit opportunities and improved operating circumstances as they arise.

**R J G Macdonald**  
Executive Chairman

21 November 2008

**Consolidated income statement***for the six months ended 30 September 2008 (unaudited)*

	Notes	Six months ended 30 September 2008 £000	Six months ended 30 September 2007 £000	Year ended 31 March 2008 £000
<b>Continuing operations</b>				
<b>Gross Fee Income</b>		<b>12,089</b>	11,966	24,279
Direct costs		<u>(5,409)</u>	<u>(4,854)</u>	<u>(10,241)</u>
<b>Net fee income</b>		<b>6,680</b>	7,112	14,038
Administrative expenses		<u>(5,667)</u>	<u>(6,044)</u>	<u>(11,525)</u>
<b>Operating profit</b>		<b>1,013</b>	1,068	2,513
Interest receivable and similar income		<b>6</b>	1	12
Interest payable and similar charges	2	<u>(25)</u>	<u>(49)</u>	<u>(91)</u>
<b>Profit before taxation</b>		<b>994</b>	1,020	2,434
Taxation		<u>(301)</u>	<u>(306)</u>	<u>(803)</u>
<b>Profit for the period</b>		<b>693</b>	714	1,631
<b>Profit attributable to equity shareholders</b>		<b>693</b>	714	1,631
<b>Earnings per share</b>	5			
Basic		<b>5.76p</b>	5.94p	13.56p
Diluted		<b>5.36p</b>	5.63p	12.72p

**Consolidated statement of changes in shareholders equity at 31 March 2008***for the six months ended 30 September 2008 (unaudited)*

	Called up share capital	Share premium account	Other reserve	Share option reserve	Foreign currency translation	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2007</b>	<b>1,203</b>	<b>7,095</b>	<b>173</b>	<b>78</b>	<b>-</b>	<b>2,889</b>	<b>11,438</b>
Profit for the period	-	-	-	-	-	714	714
Share option charge	-	-	-	26	-	-	26
Equity dividends	-	-	-	-	-	(271)	(271)
<b>At 30 September 2007</b>	<b>1,203</b>	<b>7,095</b>	<b>173</b>	<b>104</b>	<b>-</b>	<b>3,332</b>	<b>11,907</b>
Currency translation differences	-	-	-	-	(15)	-	(15)
Profit for the period	-	-	-	-	-	917	917
Share option charge	-	-	-	32	-	-	32
Equity dividends	-	-	-	-	-	(162)	(162)
<b>At 31 March 2008</b>	<b>1,203</b>	<b>7,095</b>	<b>173</b>	<b>136</b>	<b>(15)</b>	<b>4,087</b>	<b>12,679</b>
Currency translation differences	-	-	-	-	130	-	130
Profit for the period	-	-	-	-	-	693	693
Share option charge	-	-	-	29	-	-	29
Equity dividends	-	-	-	-	-	(289)	(289)
<b>At 30 September 2008</b>	<b>1,203</b>	<b>7,095</b>	<b>173</b>	<b>165</b>	<b>115</b>	<b>4,491</b>	<b>13,242</b>

**Consolidated balance sheet***at 30 September 2008 (unaudited)*

	As at 30 September 2008 £'000	As at 30 September 2007 £'000	As at 31 March 2008 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9,769	9,769	9,769
Property, plant and equipment	376	341	314
Deferred tax asset	66	141	66
	<u>10,211</u>	<u>10,251</u>	<u>10,149</u>
<b>Current assets</b>			
Trade and other receivables	4,673	5,907	5,751
Cash and cash equivalents	1,780	260	688
	<u>6,453</u>	<u>6,167</u>	<u>6,439</u>
<b>Total assets</b>	<u>16,664</u>	<u>16,418</u>	<u>16,588</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Financial liabilities – borrowings	290	916	292
Trade and other payables	2,179	2,353	2,577
Current tax liabilities	533	542	480
	<u>3,002</u>	<u>3,811</u>	<u>3,349</u>
<b>Non current liabilities</b>			
Financial liabilities – borrowings	420	700	560
<b>Total liabilities</b>	<u>3,422</u>	<u>4,511</u>	<u>3,909</u>
<b>Net assets</b>	<u>13,242</u>	<u>11,907</u>	<u>12,679</u>
<b>Capital and reserves</b>			
Called up share capital	1,203	1,203	1,203
Share premium account	7,095	7,095	7,095
Other reserve	173	173	173
Share option reserve	165	104	136
Currency translation differences	115	-	(15)
Retained earnings	4,491	3,332	4,087
<b>Equity shareholders funds</b>	<u>13,242</u>	<u>11,907</u>	<u>12,679</u>

**Consolidated Cash Flow Statement***for the six months ended 30 September 2008 (unaudited)*

	Notes	Six months ended 30 September 2008 £'000	Six months ended 30 September 2007 £'000	Year ended 31 March 2008 £'000
<b>Cash flows from operating activities</b>				
Cash generated by operations	6	<b>1,953</b>	177	2,096
Corporation tax paid		<b>(248)</b>	(275)	(758)
Net cash from/(used) in operating activities		<b>1,705</b>	(98)	1,338
<b>Cash flows from investing activities</b>				
Interest received		<b>6</b>	1	12
Interest paid		<b>(25)</b>	(49)	(91)
Net purchase of property, plant and equipment		<b>(163)</b>	(95)	(146)
Net Cash used in investing activities		<b>(182)</b>	(143)	(225)
<b>Cash flows from financing activities</b>				
Repayment of borrowings		<b>(140)</b>	(140)	(280)
Capital element of hire purchase obligations		-	(3)	(3)
Dividends paid to shareholders		<b>(289)</b>	(271)	(433)
Net cash used in financing activities		<b>(429)</b>	(414)	(716)
<b>Net increase /(decrease) in cash and cash equivalents</b>		<b>1,094</b>	(655)	397
Cash and cash equivalents at start of period		<b>676</b>	279	279
<b>Net cash /(debt) and cash equivalents at end of period</b>		<b>1,770</b>	(376)	676



## Notes to the Interim Financial Statements

For the six months ended 30 September 2008 (unaudited)

### 1. Accounting Policies

The consolidated interim financial statements are for the six months ended 30 September 2008. They have been prepared in accordance with International Financial Reporting Standards (IFRS) using the same accounting policies as those used in the preparation of the accounts for the year ended 31 March 2008.

### 2. Interest

	Six months ended 30 September 2008 £'000	Six months ended 30 September 2007 £'000	Year ended 31 March 2008 £'000
Interest expense:			
Interest payable on bank borrowings	25	49	90
Interest payable on finance leases	-	-	1
	<u>25</u>	<u>49</u>	<u>91</u>

### 3. Taxation on profit on ordinary activities

Taxation has been provided by applying the standard rate of corporation tax in the UK.

### 4. Dividends

	Six months ended 30 September 2008 £'000	Six months ended 30 September 2007 £'000	Year ended 31 March 2008 £000
Final dividend for 2007 of 2.25 pence per share	-	271	271
Interim dividend for 2008 of 1.35 pence per share	-	-	162
Final dividend for 2008 of 2.4 pence per share	289	-	-
	<u>289</u>	<u>271</u>	<u>433</u>

**Notes to the Interim Financial Statements (continued)***for the six months ended 30 September 2008 (unaudited)***5. Earnings per share**

Earnings per share (EPS) has been calculated in accordance with IAS 33 “Earnings per share” and is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

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

	Six months ended 30 September 2008 £'000	Six months ended 30 September 2007 £'000	Year ended 31 March 2008 £'000
Retained profit for basic earnings per share	<b>693</b>	714	1,631
	<b>Number '000</b>	Number '000	Number '000
Weighted average number of shares used for basic and continuing earnings per share	<b>12,029</b>	12,029	12,029
Dilutive effect of share options and shares to be issued	<b>903</b>	653	793
Diluted weighted average number of shares used for diluted earnings per share	<b>12,932</b>	12,682	12,822
	<b>Pence</b>	Pence	Pence
Basic earnings per share	<b>5.76p</b>	5.94p	13.56p
Diluted earnings per share	<b>5.36p</b>	5.63p	12.72p

**Notes to the Interim Financial Statements (continued)***for the six months ended 30 September 2008 (unaudited)***6. Reconciliation of operating profit to net cash inflow from operating activities**

	Six months ended 30 September 2008 £'000	Six months ended 30 September 2007 £'000	Year ended 31 March 2008 £000
<b>Operating profit</b>	<b>1,013</b>	1,068	2,513
Depreciation	100	69	147
Share option reserve movement	29	26	59
Effects of exchange rate changes	130	-	(15)
(Increase)/decrease in debtors	1,078	(1,306)	(1,150)
Decrease)/increase in creditors	(397)	320	542
	<u>1,953</u>	<u>177</u>	<u>2,096</u>
<b>Net cash inflow from operating activities</b>	<b>1,953</b>	177	2,096

**7. Nature of the financial information**

The interim financial information for the six months ended 30 September 2008, was approved by the board on 21 November 2008.

The financial information set out above does not constitute full accounts within the meaning of Section 240 of the Companies Act 1985. The comparative results for the year ended 31 March 2008 have been extracted from the Group's financial statements for that period which have received an unqualified audit report and have been filed with the Registrar of Companies.

A copy of the interim results will be available on the company's website [www.prime-people.co.uk](http://www.prime-people.co.uk)

## Financial Calendar

Full year results	-	Announcement June 2009
Report and accounts	-	Posted to shareholders June 2009
Half year results	-	Announcement November 2009

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