29 May 2014

Prime People Plc
Results for the year ended 31 March 2014

Prime People Plc ("Prime People" or the "Group"), the global specialist recruitment business for professional and technical staff working in the Real Estate & Built Environment, Energy & Environmental and Insight & Analytics sectors, today announces its results for the year ended 31 March 2014.

Highlights:

	Year ended 31 March 2014	Year ended 31 March 2013
Gross fee income	**£14.44m**	£13.04m
Net fee income	**£8.33m**	£7.60m
Profit before tax	**£1.05m**	£0.78m
Profit after tax	**£0.84m**	£0.56m
Fully diluted earnings per share	**6.83p**	4.67p
Total dividend for the year	**4.09p**	4.09p

Peter Moore Managing Director of Prime People, said:

"We closed 2014 with profits well up on last year. We have continued to maintain a strong cash position and propose a final dividend of 3.09p, making the year's dividend the same as 2013.

We are also proposing to return cash to shareholders by way of a reduction in capital amounting to 15 pence per share subject to shareholder and Court approval.."

-Ends-

For further information please contact:

Prime People **020 7318 1785**
Robert Macdonald, Executive Chairman
Chris Heayberd, Finance Director

Cenkos Securities **020 7397 8900**
Ivonne Cantu
Julian Morse (Sales/Broking)

Chairman's Statement

Performance

2014 was a year in which the recruitment sector stabilised and there were clear signs of growth in our main markets.

I am pleased to report that we closed the year with Net Fee Income (NFI) of £8.3m which is a 9.2% increase on last year (2013: £7.6m). It is encouraging to see both sequential and bi-annual improvements in performance. NFI in the second half of the year of £4.5m shows an 18.4% improvement on both the first half of 2014 and the second half of 2013.

There were a number of strong NFI performances, noticeably from our UK property businesses, which continue to be our core market. and our most recently established business in Singapore, covering South East Asia, which has performed consistently well throughout this year.

The increase in operating profit for the year from £0.76m in 2013 to £1.03m in 2014 reflects the improvement in NFI and the continued drive to control costs across the Group.

NFI productivity per head increased from £80k in 2013 to £91k this year.

The conversion rate which compares operating profit to NFI improved from 10.05% to 12.33% due primarily to improvement in Asia.

The ratio of NFI derived from permanent as against temporary placements has slightly increased in the year from 90:10 in 2013 to 91:9.

Return of capital to shareholders

At the start of the year the Group had net cash of £2.26m which increased to £2.96m by the end of the year, a large proportion of which is considered by the Board to be surplus to the day to day needs of the business.

The Board considers the cash needed to complete current growth plans is more than adequate and now concludes that it is appropriate to return cash to shareholders by way of a reduction in capital amounting to 15 pence per share.

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

In order to effect a reduction of share capital the reduction must be approved by shareholders by a special resolution. If shareholders approve the reduction then as a public company, the Company must apply to the High Court for confirmation of the reduction of share capital.

A circular containing a notice of the general meeting will be circulated separately to all shareholders explaining in more detail the background to and reasons for the proposed reductions in capital and convening the meeting. As stated above if shareholders approve the reduction then approval of the Court will need to be obtained which, if given, will mean that the process should be completed by the middle of July and cash will be returned to shareholders towards the end of that month.

Dividend

The Board will be recommending a final dividend of 3.09p (2013: 3.09p) per share which combined with the interim dividend of 1.0p per share will result in a total dividend of 4.09p for the 2014 financial year (2013: 4.09p).

Share Buy Back

During the year 7,000 shares were purchased at a cost of £4,900 (2013: 55,000 shares at a cost of £26,850) 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.

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 shareholders 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.

People

The average number of staff reduced slightly from 95 last year to 91 this year. However, we anticipate that headcount at the end of 2015 will have increased 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

We are cautiously optimistic about the current year. Global economic conditions are strengthening and there are clear signs of growth in a number of recruitment sectors. The Group continues to enjoy strong client relationships which will allow it to capitalise on opportunities as they arise.

Robert Macdonald
Executive Chairman
28 May 2014

Strategic Report

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 and the energy & environmental sector as Macdonald & Company.

The involvement of our employees in the business is key to our success. We endeavour to source and retain the highest calibre employees from a wide range of backgrounds. The business is organised into a number of business teams based on functional activity with team leaders responsible for running their teams within the operating framework of the Group. The policy of providing employees with information about the Group has been continued and employees are always encouraged to present their own suggestions and views.

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.

Group revenue and NFI were both up in 2014 which allowed us to deliver an increased operating profit of £1.03m (2013: £0.76m) and increase in profit before tax of £1.05m (2013: £0.78m).

Profit before tax grew by 474% in Asia but fell in the UK and the Rest of the World. The UK had a slow start to the year but recorded a much better performance in the second half of the year. The growth in Asia was driven by a consistent increase in NFI throughout the period from our Singapore operation and improved NFI performance in the second half of the year from our Hong Kong office whilst costs remained at the same level as last year Our business in the Rest of the World, which is primarily directed through our Dubai office, started the year well but then, due to unforeseen licensing issues in Dubai, required restructuring there. The business has now been relocated to a Dubai Government sponsored 'Freezone'.

We remain focused on delivering profitable growth. We closely monitor individual NFI performance and productivity which, in conjunction with tightly managing costs, aim to continue to improve conversion ratios.

Strategic Report (continued)

Regional Performance

UK

	2014 £m	2013 £m
Revenue	11.4	10.3
Net fee income	5.3	4.9
Operating profit	0.72	0.84
% of NFI	13.6%	17.1%
Average number of employees	61	64

Revenue increased by 10.7% to £11.4m (2013: 10.3m) with an increase in net fee income of 8.2% to £5.3m (2013: £4.9m)

Market conditions improved through the year which was reflected by our improved net fee income performance in the second half of the year which accounted for the majority of the NFI growth during the year

The improved net fee income performance was primarily achieved by our more experienced consultants which resulted in higher than usual commissions. This together with additional investment in the business contributed to the reduced operating profit as a percentage of NFI from 17.1% to 13.6%.

During the year, due to difficult UK market conditions in the pharmaceutical sector in which we worked , we took the decision to close our UK pharmaceutical sector recruitment business. This comprised of two fee earners, who were then reallocated within the Group.

Asia

	2014 £m	2013 £m
Revenue	2.2	1.7
Net fee income	2.2	1.7
Operating profit	0.4	(0.1)
% of NFI	18.2%	-
Average number of employees	23	22

Net fee income grew by 29% to £2.2m (2013: £1.7.m). This is the fastest growing region and now represents 27% of Group net fee income. The region is covered by our offices in Hong Kong and Singapore. This year Net Fee Income for Hong Kong is approximately 6% down on the previous year. However, our Singapore office has performed well, exceeding its budgeted forecasts and ended significantly above last year, its first year of trading

The region is entirely focussed on permanent revenue. Average staff members were broadly the same in 2014 compared to 2013.

Strategic Report

Rest of the World

	2014 £m	2013 £m
Revenue	0.8	1.0
Net fee income	0.8	1.0
Operating profit	(0.08)	0.02
% of NFI	-	2.0
Average number of employees	7	9

The Dubai business had a number of distractions over the last year, not least of which was the process of organising a move to a ‘free zone’ to simplify trading licence renewal in the future. This was a challenging process as it necessitated a complete change in the corporate structure of the business, which has now been completed.

Whilst the business has made a small loss this year, the outlook for the region, as we step in to the new financial year, looks favourable and the expectation is that business will return to profit in the 2014/15 year.

Peter Moore
Managing Director
28 May 2014

Financial Review

Revenue

The Group achieved a 10.6% increase in revenue to £14.42m (2013: £13.04m).

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 9.2% increase in total NFI to £8.3m (2013: £7.6m). NFI from permanent business increased by 10.4% to £7.54m (2013: £6.83m). Fees from our temporary business, which represents 9.4% of total NFI (2013: 10%), increased by 2.6% to £0.78m (2013: £0.76m). NFI from international placements increased by 11.9% to £3.01m(2013: £2.69m).

Administration Costs

Administration costs for the year increased by 4.3% to £7.3m (2013: £7.0m after adjusting for a gain on surrender of a property lease of £0.17m). The increase primarily related to increased commission costs paid to employees.

Profit before Taxation

Profit before taxation increased by 34.6% to £1.05m (2013: £0.78m)

Taxation

The taxation charge is £0.20m on a profit on ordinary activities before taxation of £1.05m which gives an effective tax rate of 19.4% (2013: 28.5%).

Earnings Per Share

Basic earnings per share increased by 51.1% to 7.10p (2013: 4.70p).The diluted earnings per share, taking into account existing share options, increased by 46.3% to 6.83p (2013: 4.67p).

Dividend

An interim dividend of 1.0p (2013: 1.0p) was paid on 29 November 2013 to shareholders on the register at close of business on 22 November 2013. The interim dividend was approved by the Board on 7 November 2013. A final dividend of 3.09p (2013: 3.09p) is proposed, taking the total dividend for the year to 4.09p (2013: 4.09p). The proposed dividend will be paid on 27 June 2014 to shareholders on the register on 13 June 2014 subject to approval at the AGM.

Balance Sheet

Net assets at 31 March 2014 were slightly up on last year at £14.4m (2013: £14.08m)

Trade receivables are slightly down on last year at £1.6m (2013: £1.9m) which reflects the reduced credit period taken by customers at 41 days (2013: 58 days).

Treasury Management and Currency Risk

Approximately 80% of the Group's revenue in 2014 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.

Financial Review (continued)

The Group operates a centralised treasury function and has chosen not to renew 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.

Cash Flow and Cash Position

At the start of the year the Group had net cash of £2.26m. After net taxation payments of £0.17m (2013: £0.19m) cash generated from operations was £1.4m (2013: outflow of £0.01m).

During the course of the year the Group spent £0.18m on its CRM and management information systems.

A final dividend for 2013 of £0.46m was paid in June 2013 and an interim dividend for 2014 of £0.12m was paid in November 2013.

At 31 March 2014 the Group had net cash of £2.96m

Measurements of performance in 2014

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 12.33% (2013: 10.05%)
- Productivity (NFI divided by total average headcount) increased to £91k (2013: £80k)
- Ratio of billing headcount to support headcount reduced to 2.9 (2013: 3)

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. 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 future 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, a training and development programme, competitive pay structures and long term remuneration plans, the aim of which is to retain the key employees.

Competition
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.

Financial Review (continued)

Strength of Property Markets
The market for built environment recruitment services, from which the Group obtains the major part of its revenue, remains uncertain and it is difficult to predict how this market will develop. Our temporary business continues to be focused in the Public Sector which in recent years, due to government funding cut backs, has been in decline but there are positive signs of recovery in this area of our business. However a decline from current levels of activity in the property market generally could have a material adverse effect on profitability and cash flows of the business.

Macro economic factors
Recruitment activity is largely driven by economic cycles and the levels of business confidence. The Board looks to reduce the Group's cyclical risk by 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 recruitment industry is subject to an increasing level of regulation and compliance which varies in its degree of complexity from country to country. The Group takes its responsibilities seriously and 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 are dependent 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. In addition the systems and infrastructure are regularly reviewed and upgraded to ensure that they provide appropriate functionality and resilience to support the business as it develops.

Foreign Exchange Risk
The Group's international operations account for approximately 21 per cent of revenue (2013: 20 per cent) and slightly less than 7 per cent of the Group's assets (2013: 6 per cent). 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. Ongoing 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 2014

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Revenue	2, 3	**14,442**	13,038
Cost of sales		**(6,115)**	(5,443)
Net fee income	2, 3	**8,327**	7,595
Administrative expenses		**(7,300)**	(6,832)
Operating profit	4	**1,027**	763
Finance income		**20**	20
Finance expense		**(2)**	-
Profit before taxation		**1,045**	783
Income tax expense	7	**(203)**	(223)
Profit for the year		**842**	560
Other comprehensive income			
Exchange (loss)/profit on translating foreign operations		**(111)**	19
Total comprehensive income for the year		**731**	579
Attributable to:			
Equity shareholders of the parent		**731**	579
Earnings per share	9		
Basic earnings per share		**7.10p**	4.70p
Diluted earnings per share		**6.83p**	4.67p

The above results relate to continuing operations

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Called up share capital £'000	Capital Redemption reserve £'000	Treasury shares £'000	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2012	**1,207**	**9**	**(169)**	**7,109**	**173**	**81**	**404**	**5,080**	**13,894**
Total comprehensive income for the year	-	-	-	-	-	-	19	560	579
Adjustment in respect of share schemes	-	-	-	-	-	16	-	3	19
Shares issued from treasury	-	-	4	-	-	-	-	-	4
Shares purchased for treasury	-	-	(26)	-	-	-	-	-	(26)
Dividend	-	-	-	-	-	-	-	(387)	(387)
At 31 March 2013	**1,207**	**9**	**(191)**	**7,109**	**173**	**97**	**423**	**5,256**	**14,083**
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)
At 31 March 2014	**1,207**	**9**	**(143)**	**7,109**	**173**	**120**	**312**	**5,636**	**14,423**

Consolidated Statement of Financial Position
As at 31 March 2014

	Note	2014 £'000	2013 £'000
Assets			
Non – current assets			
Goodwill	11	**9,769**	9,769
Property, plant and equipment	10	**328**	264
Deferred tax asset	16	**-**	28
		10,097	10,061
Current assets			
Trade and other receivables	13	**3,535**	3,452
Cash at bank and in hand	21	**2,963**	2,282
		6,498	5,734
Total assets		**16,595**	15,795
Liabilities			
Current liabilities			
Financial liabilities	14	**1**	26
Trade and other payables	15	**2,005**	1,526
Current tax liabilities		**151**	160
		2,157	1,712
Non-current liabilities			
Deferred tax liabilities	16	**15**	-
		15	-
Total liabilities		**2,172**	1,712
Net assets		**14,423**	14,083

Consolidated Statement of Financial Position
As at 31 March 2014

	Note	2014 £'000	2013 £'000
Capital and reserves attributable to the Company's equity holders			
Called up share capital	17	**1,207**	1,207
Capital redemption reserve fund	18	**9**	9
Treasury shares	18	**(143)**	(191)
Share premium account	18	**7,109**	7,109
Merger reserve	18	**173**	173
Share option reserve	18	**120**	97
Translation reserve	18	**312**	423
Retained earnings	18	**5,636**	5,256
Total equity		**14,423**	14,083

Group and Company Cash Flow Statement

For the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Cash generated from (used in) underlying operations	**20**	**1,586**	186
Income tax paid		**(230)**	(195)
Income tax received		**60**	-
Net cash from/(used by) operating activities		**1,416**	(9)
Cash flows from investing activities			
Net interest received		**18**	20
Net purchase of property, plant and equipment		**(180)**	(189)
Dividend received		**-**	-
Net cash (used in)/from investing activities		**(162)**	(169)
Cash flows from financing activities			
Shares issued from treasury		**(5)**	4
Shares purchased for treasury		**53**	(26)
Dividend paid to shareholders		**(485)**	(387)
Net cash used in financing activities		**(437)**	(409)
Net increase/(decrease) in cash and cash equivalents		**817**	(587)
Cash and cash equivalents at beginning of the year		**2,256**	2,824
Effect of foreign exchange rate changes		**(111)**	19
Cash and cash equivalents at the end of the year		**2,962**	2,256

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 £501,331 (2013: profit £509,038). 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 2014 (including comparatives) are presented in GBP '000.

The accounting polices 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 2013 and are described below.

International Accounting Standards (IAS/IFRS) and Interpretations in issue but not yet adopted

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 either that they will not be relevant or will not have a material impact on the Group:

- IFRS 10 Consolidated Financial statements (effective 1 January 2013**)
- IFRS 11 Joint Arrangements (effective 1 January 2013**)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013**)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013**)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013**)
- Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39 (effective 1 January 2014

2 Summary of Significant Accounting Policies (continued)

International Accounting Standards (IAS/IFRS) and Interpretations in Issue but not yet adopted (continued)

- Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2013)
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective 1 January 2014).

**Note: EU mandatory effective date is 1 January 2014, not 2013.

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.

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 consist 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.

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.

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

The Group does not operate a pension scheme for employees.

2 Summary of Significant Accounting Policies (continued)

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 incomes 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.

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'.

2 Summary of Significant Accounting Policies (continued)

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 20.5% of those offers where employment has yet to commence (2013: 20.6%). 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.

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	
	2014	**2013**	**2014**	**2013**
	£'000	**£'000**	**£'000**	**£'000**
UK	**11,432**	10,345	**5,317**	4,902
Asia	**2,230**	1,746	**2,230**	1,746
Rest of World	**780**	947	**780**	947
	14,442	13,038	**8,327**	7,595

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	
	2014	**2013**	**2014**	**2013**
	£'000	**£'000**	**£'000**	**£'000**
Permanent				
-UK	**4,548**	4,146	**4,533**	4,140
-Asia	**2,230**	1,746	**2,230**	1,746
-Rest of World	**780**	947	**780**	947
Temporary (UK)	**6,884**	6,199	**784**	762
Total	**14,442**	13,038	**8,327**	7,595

3 Segment Reporting (continued)

c) Profit before Taxation by Geographical Region

	2014 £'000	2013 £'000
UK	**719**	841
Asia	**381**	(102)
Rest of World	**(73)**	24
Operating Profit	**1,027**	763
Net finance income	**18**	20
Profit before taxation	**1,045**	783

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 £0.37m (2013 £0.43m) for the UK, and charges of £(0.24m) (2013 £(0.3m)) for Asia and £(0.13m) (2013 £(0.14m)) for the rest of the world.

d) Segment Assets and Liabilities by Geographical Region

	Total non-current assets		Total liabilities	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
UK	**10,062**	10,018	**1,380**	979
Asia	**7**	34	**656**	577
Rest of World	**28**	9	**136**	156
Total	**10,097**	10,061	**2,172**	1,712

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

4 Profit on ordinary activities before taxation

		Year ended	
		2014	**2013**
		£'000	**£'000**
Profit for the year is arrived at after charging:			
Depreciation	- owned assets	**116**	94
Operating lease rentals	- land and buildings	**353**	427
	- other operating leases	**2**	7
(Profit)/loss on disposal of fixed assets		**(2)**	26
Exchange rate loss/(gain)		**25**	(11)
(Profit) relating to a premium received on surrender of a lease net of associated costs		**-**	(169)

The analysis of auditors remuneration is as follows:

	2014 £'000	2013 £'000
Audit of company	**12**	12
Audit of subsidiaries	**30**	29
Total audit fees	**42**	41
Tax compliance services (i.e. related to assistance with corporate tax returns)	**2**	2
Total fees	**44**	43

5 Directors' emoluments

	2014 **£'000**	**2013** **£'000**
Emoluments for qualifying services	**494**	513
	494	513
Highest paid Director:		
Emoluments for qualifying services	**274**	253

The Directors did not exercise any share options during the year (2013: Nil).

6 Employees

	2014 Number	2013 Number
The average monthly number of employees of the Group during the year, including Directors, was as follows:		
Consultants	**63**	66
Management and administration	**22**	22
Temporary staff	**6**	7
	91	95

	2014 £'000	2013 £'000
Wages and salaries	**4,677**	4,668
Social security costs	**388**	370
Share option charge	**46**	19
	5,111	5,057

Remuneration of key management	2014 £'000	2013 £'000
Short term employee benefits (excluding social security costs)	**816**	852
Share based payments	**11**	8
	827	860

Key management includes executive Directors above and senior divisional managers.

7 Taxation on Profits on Ordinary Activities

	2014 £'000	2013 £'000
a) Analysis of tax charge in the year		
Current tax		
UK Corporation tax	**123**	239
UK tax over provided in previous years	**(23)**	2
Foreign tax	**60**	8
Total current tax	**160**	249
Deferred tax		
Origination and reversal of temporary differences	**43**	(26)
Total charge on profit for the year	**203**	223

UK corporation tax is calculated at 23% (2013: 24%) 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:

	2014 £'000	2013 £'000
Profit before taxation	**1,045**	783
Tax at UK corporation tax rate of 23% (2013: 24%) on profit on ordinary activities	**247**	188
Effects of:		
Expenses not deductible for tax purposes	**7**	20
Capital allowances for the period less than depreciation	**(20)**	7
Tax losses not (utilised)/utilised	**(45)**	59
Tax rate differences	**(21)**	(14)
Temporary differences recognised	**15**	(13)
Overprovision provision in prior years	**(23)**	2
Tax charge for the year	**160**	249

8 Dividends

	2014 £'000	2013 £'000
Final dividend for 2013: 3.09p per share (2012: 2.25p per share)	**366**	267
Interim dividend for 2014: 1.00p per share (2013: 1.00p per share)	**119**	120
	485	387

An interim dividend of 1.0p (2013: 1.0p) was paid on 29 November 2013 to shareholders on the register at the close of business on 22 November 2013. The interim dividend was approved by the Board on 7 November 2013.

The final dividend in relation to 2013 was recommended on 28 May 2013 but was not recognised as a liability in the year ended 31 March 2013.

A final dividend of 3.09p (2013: 3.09p) is proposed, taking the total dividend for the year to 4.09p (2013: 4.09p). The proposed dividend will be paid on 27 June 2014 to shareholders on the register on 13 June 2014 subject to approval at the AGM.

9 Earnings per share

Earnings per share is 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.

	2014 £'000	2013 £'000
Retained profit for basic and diluted earnings per share	**842**	560
	Number	**Number**
Weighted average number of shares used for basic earnings per share	**11,863,698**	11,896,543
Dilutive effect of share options	**462,126**	83,393
Diluted weighted average number of shares used for diluted earnings per share	**12,325,824**	11,979,936
	Pence	**Pence**
Basic earnings per share	**7.10p**	4.70p
Diluted earnings per share	**6.83p**	4.67p

10 Property, Plant and Equipment

Group	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 April 2012	1,190	21	1,211
Additions	190	-	190
Disposals	(637)	-	(637)
Exchange difference	4	1	5
At 1 April 2013	747	22	769
Additions	166	20	186
Disposals	(26)	(22)	(48)
Exchange difference	(11)	-	(11)
At 31 March 2014	**876**	**20**	**896**
Depreciation			
At 1 April 2012	995	21	1,016
Provision for the year	94	-	94
Disposals	(610)	-	(610)
Exchange rate loss	4	1	5
At 1 April 2013	483	22	505
Provision for the year	110	6	116
Disposals	(22)	(22)	(44)
Exchange rate gain	(9)	-	(9)
At 31 March 2014	**562**	**6**	**568**
Net book value			
At 31 March 2014	**314**	**14**	**328**
At 31 March 2013	264	-	264
At 31 March 2012	195	-	195

11 Goodwill

	£'000
Cost	
At 1 April 2012, 1 April 2013 and **31 March 2014**	**9,769**

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 13% in the year to 31 March 2015. 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.

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 £4.6m. If Operating profit remains constant with no growth into the future or if a discount factor greater than 15.7% were applied then an impairment loss would need to be recognised.

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

	Country of incorporation	Principal activity
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.

13 Trade and other Receivables

	2014 £'000	2013 £'000
Current		
Trade receivables	**1,613**	1,882
Allowance for doubtful debts	**(38)**	(85)
Amounts owed by subsidiary undertakings	**-**	-
Other receivables	**52**	73
Prepayments and accrued income	**1,908**	1,582
	3,535	3,452

At 31 March 2014, the average credit period taken on sales of recruitment services was 41 days (2013: 58 days) from the date of invoicing. An allowance of £38,000 (2013: £85,000) 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 2014 £'000	Provisions 2014 £'000	Gross trade receivables 2013 £'000	Provisions 2013 £'000
Not past due	**1,255**	**7**	1,056	12
Past due 0-30 days	**276**	**21**	578	-
Past due 30-90 days	**82**	**10**	117	19
Past due More than 90 days	**-**	**-**	131	54
	1,613	**38**	1,882	85

13 Trade and other Receivables (continued)

Movement in allowance for doubtful debts:

	2014 £'000	2013 £'000
1 April 2013	**85**	146
Impairment losses recognised	**38**	85
Amounts written off as uncollectable	**(72)**	(23)
Impairment losses reversed	**(13)**	(123)
31 March 2014	**38**	85

14 Financial Instruments

	Note	2014 £'000	2013 £'000
Financial assets			
Trade and other receivables	13	**3,535**	3,452
Cash and cash equivalents		**2,963**	2,282
		6,498	5,734

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.

	2014 £'000	2013 £'000
Financial liabilities		
Current		
Bank overdraft	**1**	26
	1	26

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 does not hold any derivative financial instruments.

15 Trade and other Payables

	2014 £'000	2013 £'000
Current		
Trade payables	**303**	193
Other payables	**256**	245
Amount owed to subsidiary undertakings	**-**	-
Taxation and social security	**490**	374
Accruals and deferred income	**956**	714
	2,005	1,526

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 2012	-	(2)	(2)
Credit to income	(26)	-	(26)
At 31 March 2013	(26)	(2)	(28)
Charge to income	**26**	**17**	**43**
At 31 March 2014	**-**	**15**	**15**

17 Share Capital

	2014		2013	
	Number	**£'000**	**Number**	**£'000**
ALLOTTED, CALLED UP AND FULLY PAID				
Ordinary shares of 10p each				
At 1 April 2012 and 1 April 2013	**12,066,500**	**1,207**	12,066,500	1,207
At 31 March 2014	**12,066,500**	**1,207**	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 25 June 2013, 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 £402,200, 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 £402,200 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 £60,350 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 2014.

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.

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 2014 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 2013	Granted	Exercised	Cancelled	**Number of Options 31 March 2014**
2005/6	57.50	2007-2015*	184,234	-	-	-	**184,234**
2008/9	20.77	2011-2016*	110,000	-	(54,000)	(5,000)	**51,000**
	31.50	2012-2017*	15,000	-	-	(5,000)	**10,000**
	31.50	2014-2019*	200,000	-	(100,000)	-	**100,000**
2009/10	42.00	2013-2018	58,000	-	(24,000)	-	**34,000**
2011/12	68.00	2014-2019	105,000	-	-	(87,000)	**18,000**
2013/14	Nil	2016-2021		137,250	-	(13,000)	**124,250**
	Nil	2019-2021		127,250	-	(11,000)	**116,250**
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**
Total 2013			741,234	Nil	(17,000)	(52,000)	672,234
Weighted average exercise price 2013 (pence)			44.19p	Nil	20.77p	61.0p	43.48p

*These options have fully vested

There were 637,734 options outstanding at 31 March 2014 (2013: 672,234) which had a weighted average price per share of 27.86p (2013: 43.48p). The options vest over a period of two to five years conditional upon the option holders continued employment with the Company.

17 Share Capital (continued)

The conditions which give the option holders the right to exercise their options under the EMI have been achieved. 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.

	2014	**2013**
Share price (pence)	**61.5**	-
Expected volatility (%)	**35.0**	-
Risk-free interest rate (%)	**4.0**	-
Expected life of options (years)	**2 & 5**	-

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

SAYE Share Scheme

The Company operates a save as you earn (SAYE) scheme for the benefit of the employees within the Company which is 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.

Details are as follows:

Year of grant	Exercise price Pence	Exercise period	Number of options 31 March 2013	Leavers	**Number of Options 31 March 2014**
2011	56.00	2014	92,697	(20,314)	**72,383**
Total 2014			**92,697**	**(20,314)**	**72,383**
Weighted average exercise price 2014 (pence)			**56.0p**	**56.0p**	**56.0p**
Weighted average exercise price 2013 (pence)			56.0p	56.0p	56.0p

There were 72,383 options outstanding at 31 March 2014 which had a weighted average price per share of 56.0p. The performance conditions which give the option holder the right to exercise their options under the EMI have been achieved. There were no options granted under the SAYE scheme during this year:

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 2014, the total number of ordinary shares held in Treasury and their values were as follows:

	2014	2013
Number of shares	35,000	206,000
	£'000	£'000
Nominal value	**4**	21
Carrying value	**143**	191
Market value	**29**	104

The maximum number of shares held in treasury during the year was 206,000 shares representing 1.7% of the called-up ordinary share capital of the Company (2013: 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.

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.

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 2014 the Group was committed to making the following total payments in respect of non-cancellable operating leases:

Group	Land and buildings 2014 £'000	Other 2014 £'000	Land and buildings 2013 £'000	Other 2013 £'000
Non-cancellable operating leases which expire:				
Within one year	**23**	**-**	10	2
Within one to two years	**-**	-	153	-
Within two to five years	**223**	**-**	372	-
After five years	**2,115**	**-**	2,332	-
	2,361	**-**	2,867	2

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms as disclosed above. The Group has a small amount of serviced office space, on annual agreements, excluded from the above.

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

	2014 £'000	2013 £'000
Profit before taxation	**1,045**	783
Adjust for:		
Depreciation	**116**	94
Share option reserve movement	**46**	19
(Profit)/loss on sale of plant & equipment	**(2)**	26
Net finance income	**(18)**	(20)
Operating cash flow before changes in working capital	**1,187**	902
(Increase)/decrease in receivables	**(83)**	(532)
Increase/(decrease) in payables	**482**	(184)
Cash generated from/(used by) underlying operations	**1,586**	186

21 Analysis of Net Cash

Group	At 1 April 2013 £'000	Cash flow £'000	At 31 March 2014 £'000
Cash at bank and in hand	2,282	681	**2,963**
Bank overdraft	(26)	25	**(1)**
Total cash	2,256	706	**2,962**

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 21 per cent (2013: 20 per cent) of revenue and slightly less than 7 per cent (2013: 11 per cent) 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 7% (2013: 12%) 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 it 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.

Apart from one overdrawn bank account the Group has no financial liabilities other than short term trade payables and accruals as disclosed in note 15, all due within one year of the year end.

The Group has net funds of £2.96m (2013: £2.26m) which the Board consider are more than adequate to meet future working capital requirements and to take advantage of business opportunities.

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 £220k (2013: £250k). The balance owed to the subsidiary undertakings at the year end is £(99)k (2013: £584k).

The Company also provides corporate guarantees on the subsidiary bank accounts. At 31 March 2014 amounts overdrawn by subsidiary bank accounts totalled £1k (2013: £26k).

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 £290,881 (2013: £231,140).

24 Availability of Annual Report

A copy of the company's Annual report will be available on the Company's website www.prime-people.co.uk and will be posted to those shareholders who have requested a copy on or around 7 June 2014.