



Prime People Plc
Annual Report and Financial Statements
for the year ended 31 March 2016

2016

Prime People Plc

Annual Report and Financial Statements
For the year ended 31 March 2016

Contents

Page

1	Chairman's statement
3	Strategic report
9	Report of the Directors
11	Statement of Directors' responsibilities
12	Corporate governance
16	Remuneration report
19	Independent Auditor's report
21	Consolidated statement of comprehensive income
22	Consolidated statement of changes in equity
23	Consolidated statement of financial position
25	Company statement of financial position
26	Company statement of changes in equity
27	Group and Company cash flow statement
28	Notes to the financial statements
56	Directors and Advisers
57	Board of Directors

Chairman's Statement

Performance

The year ended 31 March 2016 was an encouraging year for our company, as it was for many professional recruitment businesses based in the U.K. Despite the global economy providing some uncertainty to our year end, our clients continued to hire and competition for scarce talent supported demand. As the following report shows, the Group achieved positive revenue growth and improved its operating profit margin.

I am pleased to report that we closed the year with Net Fee Income (NFI) of £12.28m. This is a 20.16% increase on last year (2015: £10.22m). Despite NFI in the second half of the year of £6.07m being 2.23% lower than the first half of 2016, it is encouraging to see a second half increase over the comparable period in 2015 of 16.21%.

There were a number of 'standout' performances, within U.K. property. In particular, contract and technical recruitment generated improved NFI. It was also heartening to see our international businesses, notably Hong Kong, exceed expectations in testing local conditions.

The 50.35% increase in operating profit for the year from £1.43m in 2015 to £2.15m in 2016 reflects the improvement in NFI and the continued drive to control costs and increase productivity across the Group.

During the year NFI productivity per head rose to £103.49k (2015: £91k). The increase is due, in part, to new hires contributing to performance sooner than expected.

The conversion rate, which compares operating profit to NFI, increased from 13.99% to 17.50% due primarily to greater operational efficiency.

The ratio of NFI derived from contract as against permanent placements has slightly increased in the year from 8:92 in 2015 to 9:91. This increase can be attributed to clients seeking flexibility in a full and competitive employment market.

Cash Flow

The Group continues to maintain a strong net cash position. At the start of the year the Group had cash of £1.01m which had slightly decreased to £0.95m by the end of the year. The decrease is primarily due to growth in the contract business, where NFI has grown by 43.04% to £1.13m (2015: £0.79m).

Dividend

During the year, an interim dividend of 1.75p per share (2015: 1.75p), a special dividend of 4.00p per share (2015: 4.00p) and a second interim dividend of 3.09p (2015: 0.00p) were paid to shareholders. As previously advised, the Board does not anticipate recommending a final dividend (2015: 3.09p). This will result in a total dividend payment of 8.84p for the 2016 financial year (2015: 8.84p).

Share Buy Back

During the year no shares were purchased through the Group's buyback programme (2015: 67,210 shares purchased at a cost of £61,512). The Board will be seeking shareholder approval for renewal of the authority to repurchase up to 10% (2015: 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 96,250 (2015: 127,499) 10p newly issued shares to be admitted to trading on AIM in order to satisfy the exercise of options granted under the company's share option scheme. The Admission of 68,250 took place on 21 September 2015, and the Admission of 28,000 took place on 16 February 2016.

Board

The Board has continued to operate corporate governance standards appropriate to an AIM listed company.

Chairman's Statement (continued)

On 27th October 2015 Christopher Heayberd retired from his role as Finance Director after 20 years with the company. The Board is delighted that Mr Heayberd will continue to serve the Company as a Non-executive Director.

Mrs Donka Zaneva-Todorinski was promoted and appointed as Finance Director and member of the Board with effect from 27th October 2015 in succession to Mr Heayberd.

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.

The Board has a fine mix of skills, experience, gender and backgrounds. This mix is of considerable benefit to the business.

People

The average number of staff increased from 112 last year to 124 this year and we anticipate that headcount at the end of 2016 will increase again.

The Group has a diverse cultural and ethnic profile within the business and at the end of 2016 had global 52:48 male/female gender ratio.

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

Current trading and outlook

Following three years of buoyant trading in the recruitment sector, we anticipate that market conditions will be softer in the remainder of 2016. Current activity is resilient across the group and, while we expect some slowing in our mature vertical markets, we are confident the business is well positioned to exploit available opportunities.

Surveying the business environment, we are conscious of several macro-economic headwinds, including the UK referendum on EU membership, turbulent emerging markets and other volatility that may affect our clients' hiring plans. However, the Group continues to find opportunities for expansion and has successfully incubated new business lines over the past twelve months while increasing productivity per head and diversifying outside the UK. We will continue to invest in people and the technology that allows us to improve shareholder returns by offering our clients innovative approaches to recruitment and a globally connected service.

Robert Macdonald
Executive Chairman

Strategic Report

Overview

The Group provides permanent and contract recruitment services to selected, niche industry sectors. The built environment continues to be the Group's largest market, served through its main subsidiary, Macdonald & Company. As distinct brands, Prime Insight and Prime Energy serve the data analysis & customer insight and renewable energy & sustainability sectors respectively.

Our employees are vital to the continued success of the business and we invest heavily in them. As such, we take time to find and train the best talent that shares our ambition - to be the best, not simply the biggest. In pursuit of this objective, the Group made several strategic hires in 2016 and conducted successful graduate hiring programme.

The business is organised into teams of specialist consultants, each managed by a team leader who is responsible for performance within the operating framework approved by the Board. The Group operates a policy of open communication in the belief that its employees are best placed to suggest operational improvements and emergent strategies that will increase earnings.

The Group is committed to managing its talent on merit alone and provides equal opportunities for all current and future employees. It gives full and fair consideration to applications for employment from disabled persons, where a disabled person may adequately carry out the requirements of any position within the physical constraints of the Company's offices.

The Group has two locations in the U.K., the London head office and Manchester. It has fully staffed offices in Hong Kong (established in 2007), in Dubai (established in 2008), Singapore (established in 2012), and a franchise in South Africa (established in 2008).

Both Group Revenue and NFI were up in 2016 which in turn delivered an increased operating profit of £2.15m (2015: £1.44m).

The U.K. had a good year overall, although in the third quarter our clients' confidence stalled while job seekers' expectations remained bullish. Performance in the U.K. was driven by increased NFI from our Technical and Contract teams as well as a notable performance from our newly established Residential business.

Outside the U.K., Hong Kong proved the 'standout' performer and made the largest contribution to group NFI of all our business units.

Our Middle East business, based in Dubai, also generated strong fee income, especially in light of negative sentiment linked to the falling price of oil. Nevertheless, the Board continues to watch the region carefully and sets conservative expectations in an uncertain environment.

Singapore performed slightly below expectations due to staff changes. However, the office finished the year strongly and we have confidence in the staff structure of the office going forward. Our Prime Insight team in Singapore has grown, with the business area showing signs of maturity and we are expecting improved results from it in 2017.

The Board remains steadfast in its pursuit of sustainable NFI growth and cash generation. It will continue to maintain careful control on expenditure in the pursuit of increased profitability. Cultivating strong client relationships, investing in the best technology and employing the best people are pillars of the Group's success. To this end, the Board has delegated accountability for each business area to a newly created Operational Management Board, which reports to the Group Executive Directors. With slow-moving global growth and a world economy increasingly exposed to risk it is more important than ever that we stay flexible, able to serve our clients wherever demand may be, and that we closely monitor individual NFI performance against costs. Tight management control of remuneration and expenditure, together with a focus on improved productivity per head and conversion ratios, position the Group to prosper.

Strategic Report

Regional Performance**UK**

	2016 £m	2015 £m
Revenue	16.25	12.96
Net fee income (NFI)	7.77	6.53
Operating profit	1.53	0.99
Operating profit as % of NFI	19.69%	15.16%
Average number of employees	84	79

The UK results reported in 2016 compare well to the performance of 2015.

Revenue increased by 25.39% to £16.25m (2015: 12.96m) with an increase in NFI of 18.99% to £7.77m (2015: £6.53m)

Market conditions fluctuated throughout the year which was reflected in an improved NFI performance in the first half of the year compared to 2015, and accounted for the majority of the NFI growth during the year.

Our Technical, Architecture and Real Estate Finance teams delivered strong NFI growth during the year. This together with additional investment in a new residential team contributed to the increase in operating profit as a percentage of NFI from 15.16% to 19.69%.

NFI from our contract team was 18.60% higher in the second six months which was directly driven by increased sales volume and better margins in the current candidate-driven market.

Strategic Report**Asia**

	2016 £m	2015 £m
Revenue	3.63	2.99
Net fee income (NFI)	3.63	2.99
Operating profit	0.46	0.37
Operating profit as % of NFI	12.67%	12.37%
Average number of employees	33	32

NFI grew by 21.40% to £3.63m (2015: £2.99m). The region is covered by our offices in Hong Kong and Singapore and represents 29.56% of Group NFI (2015: 29.26%).

The region has benefited from increased productivity through staff rationalisation and maturing business lines. Although the construction business in the region reached a 'plateau', the team now benefits from a better ability to serve markets in mainland China and the region.

Rest of the World

	2016 £m	2015 £m
Revenue	0.88	0.70
Net fee income (NFI)	0.88	0.70
Operating profit	0.16	0.07
Operating profit as % of NFI	18.18%	10.00%
Average number of employees	7	7

The region is covered by our offices in Dubai and South Africa.

In Dubai our consultant team was stable throughout the year and, despite a backdrop of economic conditions affected by the fall in oil price and regional political instability, we had a

relatively strong year. With the bulk of the business focussed on the Middle East, the region delivered 26.17% growth in NFI and a conversion rate of 18.18%.

The Board are positive as to the future of the business but remain conservative as to the prospects in the region for the next twelve months.

Peter Moore
Managing Director

Strategic Report

Financial Review

Revenue

The Group achieved a 24.68% increase in revenue to £20.76m (2015: £16.65m).

Net Fee Income (NFI)

NFI comprises the total placement fees of permanent candidates and the margin earned in the placement of contract staff.

Overall the Group delivered a 20.16% increase in total NFI to £12.28m (2015: £10.22m). NFI from permanent business increased by 18.11% to £11.15m (2015: £9.44m). Fees from our contract business, which represents 9.20% of total NFI (2015: 7.73%), increased to £1.13 million from £0.79m last year.

NFI from international placements, which is included in our permanent business, increased by 22.22% to £4.51m (2015: £3.69m).

Administration Costs

Administration costs for the year increased by 15.25% to £10.13m (2015: £8.79m). The increase primarily related to higher staff costs, in line with fee income growth.

Profit before Taxation

Profit before taxation increased by 50.35% to £2.15m (2015: £1.43m).

Taxation

The taxation charge is £0.46m on profit before taxation of £2.15m (from ordinary activities) which gives an effective tax rate of 21.40% (2015: 21.53%). The reasons for the difference from the standard UK corporation tax rate of 20% are detailed in note 7 of the accounts.

Earnings per Share

Basic earnings per share increased by 49.14% to 13.84p (2015: 9.28p). The diluted earnings per share, taking into account existing share options, increased by 50.06% to 13.52p (2015: 9.01p).

Dividend

An interim dividend of 1.75p (2015: 1.75p) was paid on 27 November 2015 to shareholders on the register at close of business on 20 November 2015. A special dividend of 4p (2015: 4.00p) was also

paid on 27 November 2015 to all shareholders on the register on 20 November 2015. Both the interim and special second interim dividends were approved by the Board on 27 October 2015.

A second interim dividend of 3.09p (2015: 0.00p) was paid on 25 March 2016 to all shareholders on the register on 18 March 2016. The second interim dividend was approved by the Board on 3 March 2016. No final dividend is proposed for the current year.

Balance Sheet

Net assets at 31 March 2016 have slightly reduced to £13.42m (2015: £13.47m).

Trade receivables at the year end, were up on last year at £2.71m (2015: £2.13m) which reflects the increased revenue for the year. The credit period taken by clients increased to 55 days (2015: 38 days).

Treasury Management and Currency Risk

Approximately 78.27% of the Group's revenue in 2016 (2015: 77.82%) was denominated in Sterling. Consequently the Group has a degree of currency exposure in accounting for overseas operations.

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

The Group operates a centralised treasury function, with no borrowing facilities, and is confident the net cash within the Group is sufficient to meet current and foreseeable liabilities as they fall due.

Cash Flow and Cash Position

At the start of the year the Group had cash of £1.01m. After net taxation payments of £0.41m (2015: £0.28m) cash generated from operations was £1.96m (2015: £1.27m).

During the year the Group spent £0.97m (2015: £0.17m) on its CRM systems and paid dividends to shareholders of £1.95m (2015: £0.59m).

Strategic Report

Financial Review

A final dividend for 2015 of £0.38m was paid in June 2015 and an interim dividend for 2016 of £0.70m as well as a second interim dividend of £0.38m was paid in November 2015 and March 2016 respectively.

At 31 March 2016 the Group had cash of £0.95m.

Measurements of performance in 2016

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 to senior management as follows:

- Conversion ratio (operating profit divided by NFI) increased to 17.50% (2015: 13.99%)
- Productivity (NFI divided by total average headcount) increased to £99.03k (2015: £91.25k)
- Ratio of billing headcount to support headcount remained at 3.4 (2015: 3.4)
- Percentage of NFI paid to staff 63.69% (2015: 62.47%)

These key performance indicators form the 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, whilst the Group cannot eliminate risk altogether, the actions being taken to manage and control risks are intended to mitigate the effects on the business. According to latest industry surveys persistent slow growth continues across the recruitment profession and a number of difficult to predict challenges remain of concern for the sector. The Board reviews the principal risks and uncertainties facing the Group on a regular basis. 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 talent acquisition 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. The Group is fortunate to have the loyalty of the senior management team which allows the business to progress, even in uncertain markets.

For succession planning, and to facilitate corporate management an Operational Management Board has been established which has the responsibilities for setting and delivering the performance of the Group and proposing where the business should be focused operationally.

Competitors

The Group's focus is on specialist, niche sectors 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, is expected to be unpredictable. Our contract business remains focused in the public sector and has strengthened its position in the private sector. However speculations in the property market could have 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.

Strategic report

Financial Review

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

Persistent slow growth in the global economy has effects that trigger reduced output, and with it, demand and investment. A return of financial turmoil, impairing confidence globally in the next twelve months could hamper job creation 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. The Group is geographically diversified, spanning over different countries which reduces the reliance on the success of any particular market.

Regulatory position

The increase in regulatory scrutiny and demands on compliance are having an effect on hiring. The Group is aware of continuing challenges as procurement practice evolves, but remains committed to being fully 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 on changes in legal and compliance requirements.

Information Technology

The Group is highly dependent on certain technology systems and the infrastructure on which they operate in order to maintain its client and candidate database. 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. The Group has appointed a senior operational manager to take specific responsibility for the evaluation of its Information Technology systems to ensure that appropriate and reasonable steps are taken, particularly in respect of cyber-related threats.

Foreign Exchange Risk

The Group's international operations account for 21.71% of revenue (2015: 22.16%) and approximately 19.85% of the Group's assets (2015: 15.06%). 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 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 minor, future interest rate, liquidity and foreign currency risks could arise. An additional bout of exchange rate depreciations in emerging market economies and a sharp decline in capital inflows could force a rapid compression of domestic demand. 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.

Donka Zaneva-Todorinski
Finance Director

Report of the Directors for the Year Ended 31 March 2016

The Directors submit their report and the audited Group financial statements of Prime People Plc for the year ended 31 March 2016. 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 22 June 2016, 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 mid market quotation of the Company's shares at close of business on 31 March 2016 was 96.5p. The highest and lowest mid market quotations in the period from 1 April 2015 to 31 March 2016 were 134p and 92.5p.

Going concern

The Group has two revenue streams permanent and temporary recruiting. The Group has experienced 24.68% revenue growth in 2016 which has been driven by growth in both the permanent and contract businesses. The permanent business, which is largely cash generative, has provided the working capital to support the growth in the contract side.

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 continues to adopt the going concern basis when 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, 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 (2015: Nil).

Report of the Directors for the Year Ended 31 March 2016

Workplace Pensions

In line with the law on workplace pensions the Group continues to operate a defined contribution plan and automatically enrolls certain UK employees into NEST pension scheme.

In 2016 the Group provided contribution to defined pension schemes on behalf of two of its executive directors, details of which are set out in the Remuneration Report on page 17.

Capital Structure

Details of the allotted 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 Wednesday 20 July 2016 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 nil shares (2015: 67,210 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 has expressed its willingness to continue in office and a resolution to re-appoint the firm as Auditor and authorising the Directors to set their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Donka Zaneva-Todorinski
Finance Director

Statement of Directors' Responsibilities

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; and
- prepare the financial statements on a 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

Statement by the Directors on Corporate Governance

The Board of the Company is committed to achieving high standards of corporate governance, professional integrity and ethics. The Board gives due regard to the 'UK Corporate Governance Code' published by the Financial Reporting Council and the Quoted Alliance (QCA) Corporate Governance Code for small and Mid-Size Quoted Companies. As a company with its securities admitted to trading on AIM, the company is not required to follow the UK Corporate Governance Code, however, it does so as far as is practicable and appropriate for the nature and size of the Group, as further set out below.

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 2016 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
Donka Zaneva-Todorinski – Finance Director	4/6	N	N
Chris Heayberd – Non-Executive Director	6/6	N	N
John Lewis – Non-Executive Director	6/6	1/1	1/1 (Chair)
Simon Murphy – Non-Executive Director	5/6	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 three Non-Executive Directors.

Chris Heayberd retired from his role as Finance Director on 27 October 2015 and continued to serve the Company as a Non-Executive Director. Mrs Donka Zaneva-Todorinski was appointed as Finance Director and member of the Board with effect of 27 October 2015 in succession to Mr Heayberd.

The Non-Executive Directors are John Lewis, Simon Murphy and Chris Heayberd. They 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 57 and 58

Corporate Governance

The Board and its Operation (continued)

The Board meets at least five times each year, or 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

Remuneration Committee

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 2015 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 meets 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.

The Operational Management Board meets quarterly. It acts as a conduit between the Board of Directors and the Group subsidiaries by providing information, advice and guidance to all staff. It has responsibilities for setting up, monitoring and control of the business operations globally.

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 a 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.

Corporate Governance

Internal Controls (continued)

Levels of authority

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

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

Remuneration Report

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 structure 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 compensation 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 them 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 her from competing with the Group for 3 months following the termination of employment and preventing her 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

All 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, defined pension contributions, 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, pension contributions, 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 include emoluments from the Company and its subsidiary undertakings.

	Notes	Salaries and fees	Benefits	Pension	2016 Total	2015 Total
		£	£	£	£	£
Executive Chairman						
Robert Macdonald	3	114,391	4,620	21,000	140,011	118,635
Executive Directors						
Peter Moore	1 & 3	183,671	10,344	35,000	229,015	230,096
Chris Heyberd	4	23,217	3,010	-	26,227	75,707
Donka Zaneva-Todorinski	5	33,333	284	-	33,617	-
Non-Executive Directors						
John Lewis		19,435	-	-	19,435	19,389
Simon Murphy		19,435	-	-	19,435	58,739
Chris Heyberd	4	14,038	-	-	14,038	-
		407,520	18,258	56,000	481,778	502,566

Notes to the emoluments:

1. Peter Moore is the highest paid Director,
2. Benefits include subscriptions, medical and travel allowance,
3. Executive Directors' Pension Contribution to two executive directors was approved by the Board on 27 May 2015,
4. Chris Heyberd retired as Finance Director and moved to a Non-Executive role on 27 October 2015. The fees noted above cover the period to 1 November 2015 to 31 March 2016,
5. Donka Zaneva-Todorinski was appointed Finance Director and member of the Board on 27 October 2015. The fees shown in 2016 reflect the amount paid to her from the date of appointment to 31 March 2016.

Remuneration Report

Directors' interests in shares

Directors' beneficial interest in the shares of the Company at 31 March 2016 was as follows:

	Ordinary shares of 10p each held at 31 March 2016	Percentage of issued share capital at 31 March 2016	Ordinary shares of 10p each held at 31 March 2015	Percentage of issued share capital at 31 March 2015
Robert Macdonald	2,780,000	22.62%	2,780,000	22.80%
Peter Moore	2,907,721	23.66%	2,907,721	23.85%
Donka Zaneva-Todorinski	1,250	0.01%	-	0.00%
John Lewis	1,019,000	8.29%	1,088,500	8.93%
Simon Murphy	330,000	2.70%	330,000	2.70%
Chris Heayberd	24,000	0.20%	24,000	0.20%

Share option schemes

As at 31 March 2016 Directors' 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 2015	Granted	Cancelled	Exercised	Number of options 31 March 2016
Simon Murphy	2005/6	57.7p	84,234	-	(84,234)	-	-
Donka Zaneva-Todorinski	2013/14	0.00p	2,500	-	-	(1,250)	1,250
	2014/15	10.00p	30,000	-	-	-	30,000
	2015/16	58.00p	-	10,000	-	-	10,000

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

Independent Auditor's Report

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 2016 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 Auditors.

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)

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 2016 and of the Group's and parent Company's profit for the year then ended;
- 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 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.

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Revenue	2, 3	20,755	16,647
Cost of sales		(8,475)	(6,425)
Net fee income		12,280	10,222
Administrative expenses		(10,131)	(8,792)
Operating profit	4	2,149	1,430
Finance income		-	6
Profit before taxation		2,149	1,436
Income tax expense	7	(459)	(310)
Profit for the year		1,690	1,126
Other comprehensive income			
<u>Items that will or may be reclassified to profit or loss:</u>			
Exchange profit/(loss) on translating foreign operations		21	130
Other Comprehensive income for the year, net of tax		21	130
Total comprehensive income for the year		1,711	1,256
Attributable to:			
Equity shareholders of the parent		1,711	1,256
Earnings per share	9		
Basic earnings per share		13.84p	9.28p
Diluted earnings per share		13.52p	9.01p

The above results relate to continuing operations

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	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 2014	1,207	9	(143)	7,109	173	120	312	5,636	14,423
Profit for the year	-	-	-	-	-	-	-	1,126	1,126
Other comprehensive income	-	-	-	-	-	-	130	-	130
Capital reduction	-	-	-	(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)
At 31 March 2015	1,219	9	(21)	5,370	173	212	442	6,070	13,474
Profit for the year	-	-	-	-	-	-	-	1,690	1,690
Other comprehensive income	-	-	-	-	-	-	21	-	21
Adjustment in respect of share schemes	-	-	-	-	-	88	-	78	166
Issues of ordinary shares	10	-	-	1	-	-	-	-	11
Dividend	-	-	-	-	-	-	-	(1,946)	(1,946)
At 31 March 2016	1,229	9	(21)	5,371	173	300	463	5,892	13,416

Consolidated Statement of Financial Position

As at 31 March 2016

	Note	2016 £'000	2015 £'000
Assets			
Non – current assets			
Goodwill	11	9,769	9,769
Property, plant and equipment	10	229	316
		9,998	10,085
Current assets			
Trade and other receivables	13	4,939	4,538
Cash at bank and in hand	21	953	1,009
		5,892	5,547
Total assets		15,890	15,632
Liabilities			
Current liabilities			
Trade and other payables	15	2,216	1,958
Current tax liabilities		249	184
		2,465	2,142
Non-current liabilities			
Deferred tax liabilities	16	9	16
		9	16
Total liabilities		2,474	2,158
Net assets		13,416	13,474

Consolidated Statement of Financial Position

As at 31 March 2016

	Note	2016 £'000	2015 £'000
Capital and reserves attributable to the Company's equity holders			
Called up share capital	17	1,229	1,219
Capital redemption reserve fund	18	9	9
Treasury shares	18	(21)	(21)
Share premium account	18	5,371	5,370
Merger reserve	18	173	173
Share option reserve	18	300	212
Translation reserve	18	463	442
Retained earnings	18	5,892	6,070
Total equity		13,416	13,474

The financial statements on pages 21 to 55 were approved by the Board of Directors and authorised for issue on 22 June 2016 and are signed on its behalf by:

R J G Macdonald

D Zaneva-Todorinski

Company Statement of Financial Position

As at 31 March 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Investment in subsidiaries	12	11,176	10,876
Deferred tax asset	16	-	1
		11,176	10,877
Current assets			
Trade and other receivables	13	14	499
Cash and cash equivalents	21	633	446
		647	945
Total assets		11,823	11,822
Liabilities			
Current liabilities			
Other payables	15	959	213
Total liabilities		959	213
Net assets		10,864	11,609
Capital and reserves attributable to the Company's equity holders			
Called up share capital	17	1,229	1,219
Capital redemption reserve fund	18	9	9
Treasury shares	18	(21)	(21)
Share premium account	18	5,371	5,370
Merger reserve	18	173	173
Share option reserve	18	300	15
Retained earnings	18	3,803	4,844
Total equity		10,864	11,609

The financial statements of Prime People Plc, Company Number 1729887 were approved by the Board and authorised for issue on 22 June 2016 and are signed on its behalf by:

R J G Macdonald

D Zaneva-Todorinski

Company Statement of Changes in Equity

For the year ended 31 March 2016

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
At 1 April 2014	1,207	9	(143)	7,109	173	32	5,018	13,405
Total comprehensive income for the year	-	-	-	-	-	-	539	539
Issue of ordinary shares	12	-	42	48	-	-	-	102
Capital reduction	-	-	-	(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)
At 31 March 2015	1,219	9	(21)	5,370	173	15	4,844	11,609
Total comprehensive income for the year	-	-	-	-	-	-	890	890
Issue of ordinary shares	10	-	-	1	-	-	-	11
Adjustment in respect of share options	-	-	-	-	-	(15)	15	-
Investment in Subsidiaries	-	-	-	-	-	300	-	300
Dividend	-	-	-	-	-	-	(1,946)	(1,946)
At 31 March 2016	1,229	9	(21)	5,371	173	300	3,803	10,864

Group and Company Cash Flow Statement

For the year ended 31 March 2016

		Group		Company	
	Note	2016	2015	2016	2015
		£'000	£'000	£'000	£'000
Cash generated from (used in) underlying operations	20	2,369	685	1,278	(436)
Income tax paid		(411)	(276)	(6)	(10)
Net cash from/(used by) operating activities		1,958	409	1,272	(446)
Cash flows from investing activities					
Net interest received		-	6	-	6
Net purchase of property, plant and equipment		(97)	(156)	-	-
Dividend received		-	-	850	550
Net cash (used in)/from investing activities		(97)	(150)	850	556
Cash flows from financing activities					
Capital reduction		-	(1,800)	-	(1,800)
Issue of ordinary share capital		11	72	11	72
Shares issued from treasury		-	42	-	42
Shares purchased for treasury		-	(62)	-	(62)
Dividend paid to shareholders		(1,946)	(588)	(1,946)	(588)
Net cash used in financing activities		(1,935)	(2,336)	(1,935)	(2,336)
Net (decrease)/ increase in cash and cash equivalents		(74)	(2,077)	187	(2,226)
Cash and cash equivalents at beginning of the year		1,009	2,962	446	2,672
Effect of foreign exchange rate changes		18	130	-	-
Cash and cash equivalents at the end of the year	21	953	1,009	633	446

Notes to the Financial Statements

For the year ended 31 March 2016

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 £890,249 (2015: profit £537,595). 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 2016 (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 2016 and are described below.

International Accounting Standards (IAS/IFRS) and Interpretations in issue but not yet EU 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 2018)
- IFRS 9 Financial Instruments (Issued July 2014, effective date 1 January 2018)
- IFRS 16 Leases (Issued January 2016, effective date 1 January 2019)

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

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception (Issued December 2014)

Notes to the Financial Statements

For the year ended 31 March 2016

2 Summary of Significant Accounting Policies (continued)

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

Amendments (Effective date for all amendments listed is 1 January 2017)

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (Issued January 2016)
- Amendments to IAS 7: Disclosure Initiative (Issued January 2016)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (Issued April 2016, effective date 1 January 2018)

International Accounting Standards (IAS/IFRS) and Amendments (and EU adopted) but not yet effective

- Amendments to IAS 1: Disclosure Initiative (Issued December 2014)
- Amendment to IAS 27: Equity Method in Separate Financial Statements (Issued August 2014)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (Issued May 2014)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (Issued May 2014)
- Amendments to IAS 16 and IAS 41: Bearer Plants (Issued June 2014)

The directors do not expect the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except for disclosure of IFRS 15 that may have an impact on revenue recognition and related disclosures. Beyond the information above it is not practicable to provide a reasonable estimate of the impact of IFRS 15 until a detailed review has been completed.

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 2016

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 contract placements, which represents amounts billed for the services of contract 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 contract 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 contract 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 2016

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%

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 2016

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 operates defined contribution pension scheme. The Group adopts the minimum legally required employer contribution rate of 1% of qualifying earnings and up to the maximum earning threshold for automatic enrolment for 2015-16, as set by the Pension Regulator.

The assets of the scheme are held separately from those of the Group in independently administered workplace pension -NEST. The pension costs charged to the income statement represent the contributions payable by the Group to Nest during the year.

The 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.

Notes to the Financial Statements

For the year ended 31 March 2016

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 Board of Directors 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 2016

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 20.02% of those offers where employment has yet to commence (2015: 16.5%). 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 2016

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	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
UK	16,249	12,957	7,774	6,532
Asia	3,626	2,992	3,626	2,992
Rest of World	880	698	880	698
	20,755	16,647	12,280	10,222

All revenues disclosed by the Group are derived from external clients 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	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Permanent				
-UK	6,653	5,760	6,645	5,747
-Asia	3,626	2,992	3,626	2,992
-Rest of World	880	698	880	698
Contract (UK)	9,596	7,197	1,129	785
Total	20,755	16,647	12,280	10,222

Notes to the Financial Statements

For the year ended 31 March 2016

3 Segment Reporting (continued)

c) Profit before Taxation by Geographical Region

	2016 £'000	2015 £'000
UK	1,527	993
Asia	460	370
Rest of World	162	67
Operating Profit	2,149	1,430
Net finance income	-	6
Profit before taxation	2,149	1,436

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 £0.71m (2015 £0.64m) for the UK, and charges of £0.60m (2015 £0.53m) for Asia and £0.11m (2015 £0.11m) for the rest of the world.

d) Segment Assets and Liabilities by Geographical Region

	Total non-current assets		Total liabilities	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
UK	9,962	10,023	1,441	1,309
Asia	27	50	910	687
Rest of World	9	12	121	162
Total	9,998	10,085	2,472	2,158

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 2016

4 Profit on ordinary activities before taxation

	2016 £'000	2015 £'000
Profit for the year is arrived at after charging:		
Depreciation - owned assets	188	170
Operating lease rentals - land and buildings	487	471
- other operating leases	-	-
Loss/(profit) on disposal of fixed assets	-	1
Exchange rate loss	33	1
The analysis of auditors remuneration is as follows:		
Audit of company	21	12
Audit of subsidiaries	23	31
Total audit fees	44	43
Tax compliance services (i.e. related to assistance with corporate tax returns)	-	2
Advisory Services (related to FRS102 transition)	4	-
Total fees	48	45

5 Directors' emoluments

	2016 £'000	2015 £'000
Emoluments for qualifying services	482	503
	482	503
Highest paid Director:		
Emoluments for qualifying services	229	230

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 2016

6 Employees

Group	2016 Number	2015 Number
The average monthly number of employees of the Group during the year, including Directors, was as follows:		
Consultants	91	84
Management and administration	26	25
Temporary staff	7	3
	124	112

Company	2016 Number	2015 Number
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 contract staff placed with clients are as follows and have been included in Administration expenses in the consolidated statement of comprehensive income:

Group	2016 £'000	2015 £'000
Wages and salaries	6,984	5,744
Social security costs	598	500
Pension contributions	73	12
Share option charge	166	130
	7,821	6,386
Remuneration of key management	2016 £'000	2015 £'000
Short term employee benefits (excluding social security costs)	1,090	765
Share based payments	35	24
	1,125	789

Key management includes executive Directors and senior divisional managers.

Notes to the Financial Statements

For the year ended 31 March 2016

7 Taxation on Profits on Ordinary Activities

	2016 £'000	2015 £'000
a) Analysis of tax charge in the year		
Current tax		
UK Corporation tax	375	278
UK tax under/(over) provided in previous years	-	(21)
Foreign tax	87	52
Foreign tax over provision in prior years	(4)	-
Total current tax	458	309
Deferred tax		
Origination and reversal of temporary differences	1	1
Total charge on profit for the year	459	310

UK corporation tax is calculated at 20% (2015: 21%) 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:

	2016 £'000	2015 £'000
Profit before taxation	2,149	1,436
Tax at UK corporation tax rate of 20% (2015: 21%) on profit on ordinary activities	430	302
Effects of:		
Expenses not deductible for tax purposes	8	16
Capital allowances for the period less than depreciation	11	2
Tax losses not utilised/utilised	21	19
Tax rate differences	(19)	(20)
Temporary differences recognised	19	11
Overprovision in prior years	(4)	(21)
Total current tax	466	309
Deferred Tax		
Origination and reversal of temporary differences	(7)	1
Tax charge for the year	459	310

Notes to the Financial Statements

For the year ended 31 March 2016

8 Dividends

	2016 £'000	2015 £'000
Special second interim dividend for 2015: 4.00p per share	488	-
Final dividend for 2015: 3.09p per share (2014: 3.09p per share)	376	376
Interim dividend for 2016: 1.75p per share (2015: 1.75p per share)	212	212
Special dividend for 2016: 4.00p per share	490	-
Second Interim dividend for 2016: 3.09p per share	380	-
	1,946	588

A special second interim dividend of 4p was paid subsequent 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.

A final dividend of 3.09p for 2015 was proposed, the dividend was paid on 26 June 2015 to shareholders on the register on 12 June 2015.

An interim dividend of 1.75p (2015: 1.75p) was paid on 27 November 2015 to shareholders on the register at the close of business on 20 November 2015. The interim dividend was approved by the Board on 7 November 2015.

A special dividend of 4.00p was paid on 27 November 2015 to shareholders on the register on 20 November 2015.

A second interim dividend of 3.09p paid on 25 March 2016 to shareholders on the register on 18 March 2016.

Notes to the Financial Statements

For the year ended 31 March 2016

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.

	2016	2015
	£'000	£'000
Profit for the year and earnings used in basic and diluted earnings per share	1,690	1,126
	Number	Number
Weighted average number of shares used for basic earnings per share	12,211,950	12,131,633
Dilutive effect of share options	290,730	362,117
Diluted weighted average number of shares used for diluted earnings per share	12,502,680	12,493,750
	Pence	Pence
Basic earnings per share	13.84p	9.28p
Diluted earnings per share	13.52p	9.01p

Notes to the Financial Statements

For the year ended 31 March 2016

10 Property, Plant and Equipment

Group	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 April 2014	876	20	896
Additions	168	-	168
Disposals	-	(20)	(20)
Exchange difference	13	-	13
At 1 April 2015	1,057	-	1,057
Additions	97	-	97
Disposals	(44)	-	(44)
Exchange difference	8	-	8
At 31 March 2016	1,118	-	1,118
Depreciation			
At 1 April 2014	562	6	568
Provision for the year	169	1	170
Disposals	-	(7)	(7)
Exchange rate loss	10	-	10
At 1 April 2015	741	-	741
Provision for the year	188	-	188
Disposals	(44)	-	(44)
Exchange rate gain	4	-	4
At 31 March 2016	889	-	889
Net book value			
At 31 March 2016	229	-	229
At 31 March 2015	316	-	316
At 31 March 2014	314	14	328

Notes to the Financial Statements

For the year ended 31 March 2016

11 Goodwill

£'000

Cost

At 1 April 2014, 1 April 2015 and **31 March 2016**

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 11.89% in the year to 31 March 2017. 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 20.38%.

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 £15.28m. A number of potential sensitivities have been considered and these would indicate impairment in the carrying value of goodwill if the discount rate were to be increased to 25.2% or if the operating profit reduced to £1.1m with no future growth or if the growth rate were to be decreased to 15.5%.

12 Investments

Company	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2014, 1 April 2015 and 31 March 2015	10,876
Increase in investment in subsidiaries from share option reserve charge	300
As at 31 March 2016	11,176

The share option reserve relates to employee share option arrangements provided to employees of the Group subsidiary companies.

Notes to the Financial Statements

For the year ended 31 March 2016

12 Investments (continued)

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.

Notes to the Financial Statements

For the year ended 31 March 2016

13 Trade and other Receivables

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current				
Trade receivables	2,706	2,126	-	-
Allowance for doubtful debts	(40)	(102)	-	-
Other receivables	69	578	-	4
Prepayments and accrued income	2,204	1,936	14	495
	4,939	4,538	14	499

At 31 March 2016, the average credit period taken on sales of recruitment services was 55 days (2015: 38 days) from the date of invoicing. An allowance of £40,000 (2015: £102,000) 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	Provisions	Gross trade receivables	Provisions
	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Not past due	1,607	33	1,635	24
Past due 0-30 days	630	-	322	-
Past due 30-90 days	469	7	100	9
Past due more than 90 days	-	-	69	69
	2,706	40	2,126	102

Notes to the Financial Statements

For the year ended 31 March 2016

13 Trade and other Receivables (continued)

Movement in allowance for doubtful debts:

	2016 £'000	2015 £'000
1 April 2015	102	38
Impairment losses recognised	40	100
Amounts written off as uncollectable	(97)	(11)
Amounts paid by the client	(5)	-
Impairment losses reversed	-	(25)
31 March 2016	40	102

14 Financial Instruments

	Note	Group		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Financial assets					
Trade and other receivables	13	4,087	4,538	5	499
Cash and cash equivalents		953	1,009	633	446
		5,040	5,547	638	945

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	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Financial liabilities					
Current					
Trade and other payables	15	452	478	2	13
		452	478	2	13

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 2016

15 Trade and other Payables

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current				
Trade payables	267	239	1	12
Other payables	185	239	-	1
Amount owed to subsidiary undertakings	-	-	923	145
Taxation and social security	664	567	9	8
Accruals and deferred income	1,100	913	26	47
	2,216	1,958	959	213

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	Accelerated depreciation £'000	Total £'000
At 1 April 2014	15	15
Charge to income	1	1
At 31 March 2015	16	16
Credit to income	(7)	(7)
At 31 March 2016	9	9

Company (Asset)	Accelerated depreciation £'000	Total £'000
At 1 April 2013, 1 April 2014 and 31 March 2015	1	1
Charge to income	(1)	(1)
At March 2016	-	-

Notes to the Financial Statements

For the year ended 31 March 2016

17 Share Capital

	2016		2015	
	Number	£'000	Number	£'000
ALLOTTED CALLED UP				
Ordinary shares of 10p each				
Fully paid as at 1 April 2015	12,193,949	1,219	12,066,500	1,207
Fully paid shares issued	3,000	1	127,449	12
Unpaid shares issued	93,250	9	-	-
At 31 March 2016	12,290,199	1,229	12,193,949	1,219

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 14 July 2015, 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 2016 on 20 July 2016.

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 2016

17 Share Capital (continued)

Employee Share Schemes

The Company operates two share options schemes.

Enterprise Management Incentive Share Option Scheme

At 31 March 2016 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 2015	Granted	Exercised	Forfeited	Number of Options 31 March 2016
2005/6	57.50	2007-2015*	84,234	-	-	(84,234)	-
2008/9	20.77	2011-2016*	48,000	-	-	-	48,000
	31.50	2014-2019*	100,000	-	-	-	100,000
2009/10	42.00	2013-2018	11,000	-	(3,000)	-	8,000
2011/12	68.00	2014-2019	3,000	-	-	-	3,000
2013/14	Nil	2016-2021	104,250	-	(83,250)	(2,000)	19,000
	Nil	2019-2021	96,250	-	(10,000)	(5,000)	81,250
2014/15	10.00	2016-2021	187,500	-	-	(3,000)	184,500
	10.00	2019-2021	350,500	-	-	(10,000)	340,500
2014/15	10.00	2017-2022		20,000	-	-	20,000
	10.00	2020-2022		30,000	-	-	30,000
	58.00	2017-2022		52,000	-	-	52,000
	58.00	2020-2022		103,000	-	-	103,000
Total 2016			984,734	205,000	(96,250)	(104,234)	989,250
Weighted average exercise price 2016 (pence)			15.27p	46.29p	1.31p	0.48p	19.64p
Total 2015			637,734	548,000	(136,000)	(65,000)	984,734
Weighted average exercise price 2015 (pence)			27.86p	10.00p	54.84p	11.62p	15.27p

*These options have fully vested

There were 989,250 options outstanding at 31 March 2016 (2015: 984,734) which had a weighted average price per share of 19.64p (2015: 15.27p). 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 2016

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 2015 and 2016. 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.

	2016	2015
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (in pence)	116.00	85.00
Exercise price (in pence)	10 & 58	10
Fair value of options granted during the year	104.81	76.45
Expected volatility (%)	30.0	14.0
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 £0.17m (2015: £0.13m).

Notes to the Financial Statements

For the year ended 31 March 2016

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 2016, the total number of ordinary shares held in Treasury and their values were as follows:

	2016		2015	
	Number	£'000	Number	£'000
As at 1 April 2015	21,276	21	35,000	143
Shares purchased for treasury	-	-	67,210	62
Shares issued from treasury	-	-	(80,934)	(42)
Equity reclassification on disposal of treasury shares	-	-	-	(142)
As at 31 March 2016	21,276	21	21,276	21
Nominal value		2		2
Market value		21		23

The maximum number of shares held in treasury during the year was 21,276 shares representing 0.2% of the called-up ordinary share capital of the Company (2015: 54,050 representing 0.4% of the called-up ordinary share capital of the Company).

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.

Share Premium Account

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary shares.

Notes to the Financial Statements

For the year ended 31 March 2016

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 2016 the Group was committed to making the following total payments in respect of non-cancellable operating leases:

	Land and buildings 2016 £'000	Land and buildings 2015 £'000
Non-cancellable operating leases which expire:		
Within one year	448	474
Within one to two years	408	432
Within two to five years	660	374
After five years	602	829
	2,118	2,109

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 2016

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

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Profit before taxation	2,149	1,436	50	(6)
Adjust for:				
Depreciation	188	170	-	-
Share based payment expense	166	130	-	-
Net finance income	-	(6)	-	(6)
Operating cash flow before changes in working capital	2,503	1,730	50	(12)
(Increase)/decrease in receivables	(401)	(1,003)	484	(489)
Increase/(decrease) in payables	267	(42)	744	65
Cash generated from / (used by) underlying operations	2,369	685	1,278	(436)

21 Analysis of Cash less overdrafts

Group	At 1 April 2015 £'000	Cash flow £'000	At 31 March 2016 £'000
Cash at bank and in hand	1,009	(56)	953
Total cash	1,009	(56)	953

Company	At 1 April 2015 £'000	Cash flow £'000	At 31 March 2016 £'000
Cash at bank and in hand	446	187	633
Total cash	446	187	633

Notes to the Financial Statements

For the year ended 31 March 2016

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 21.72% (2015: 22.16%) of revenue and approximately 19.85% (2015: 15.06%) 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 6.82% (2015: 6%) 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 £0.95m (2015: £1.01m) 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 2016

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 £205k (2015: £240k). The balance owed to the subsidiary undertakings at the year end is £923k (2015: £145k).

The Company also provides corporate guarantees on the subsidiary bank accounts. At 31 March 2016 amounts overdrawn by subsidiary bank accounts were £222,350 (2015: nil).

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 £605,384 (2015: £339,048).

Directors and Advisers

Directors

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

Secretary and Registered Office

Donka Zaneva-Todorinski, 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

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 and insight & analytics.

Donka Zaneva-Todorinski ACCA – Finance Director

Donka qualified with a Business Administration and Finance Degree from St Paul's College in 2007. She has been a member of the Association of Chartered Certified Accountants since December 2013. Donka began her professional career in 2003 and since has held accounting positions in the recruitment, media and publishing industries. She joined Macdonald & Company in 2011 as a Management Accountant. In 2013 Donka was promoted to be Financial Controller and was then appointed to the Board of Prime People as Finance Director in October 2015. She is a member of the Finance & Management Faculty of ICAEW.

Chris Heayberd BA ACA – Non-executive Directors

Chris qualified as a Chartered Accountant in 1980 and after that date 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 joined the Board of Prime People in June 1995 and for a period of five years combined the role of Finance Director with other business interests. In May 2005 he took up a full time role as Finance Director of Prime People retiring from this post in 2015 but remaining on the Board in a non-executive capacity.

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.

Board of Directors

Simon Murphy BSc ACA - Non-executive Director

Simon qualified as a Chartered Accountant with Coopers & Lybrand. 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. He is Chief Financial Officer of Battersea Power Station Development Company and a Director of a number of private companies including OPD Group Limited an investment company with holdings in a number of recruitment businesses.



Prime People Plc
2 Harewood Place Hanover Square
London W1S 1BX
T: +44 (0) 20 7318 1785
F: +44 (0) 870 442 1737
E: connect@prime-people.com
W: prime-people.co.uk