

29 May 2014

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES, CANADA, AUSTRALIA, JAPAN, THE REPUBLIC OF SOUTH AFRICA OR NEW ZEALAND

**Prime People plc
("Prime People" or the "Company")**

**Proposed cancellation of part of the Share Premium Account,
Proposed Return of Capital to Shareholders,
Proposed amendments to the Company's Articles of Association
and
Notice of General Meeting**

Prime People (AIM: PRP) announces that the Company has today posted a circular to shareholders (the "Circular") incorporating formal notice of a general meeting, to seek the approval of Shareholders for the proposals to: (i) reduce the Company's capital by the cancellation of part of its Share Premium Account and to return an aggregate amount of approximately £1.8 million to Shareholders, which equates to 15 pence per Ordinary Share; and (ii) remove certain provisions from the Company's memorandum and articles of association which are no longer required to be included by the Companies Act 2006.

The Capital Reduction and the proposed amendments to the Articles are conditional, *inter alia*, on the approval of Shareholders. A notice of the General Meeting is set out at the end of the Circular, which convenes the General Meeting for 9:45 a.m. on Monday, 16 June 2014, to take place shortly after the conclusion of the Company's thirtieth annual general meeting, at the Company's registered office at 2 Harewood Place, Hanover Square, London W1S 1BX.

The Board of Directors considers that the Resolutions are in the best interests of the Company and its Shareholders as a whole and unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

Unless the context requires otherwise, defined terms used in this announcement shall have the meanings given to them in the Circular dated 29 May 2014.

A copy of the Circular will shortly be available on the Company's website at www.prime-people.co.uk.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The dates and times set out below are based on the Company's current expectations and may be subject to change. Any change will be notified via a Regulatory Information Service. References to times in this announcement are to London times, unless otherwise stated.

Last time and date for receipt of Forms of Proxy	9:45 a.m. 12 June 2014
General Meeting	9:45 a.m. 16 June 2014
Record Date and time for entitlement to the Return of Capital	6:00 p.m. 16 July 2014
Court hearing to confirm the Capital Reduction	16 July 2014
Registration of Court order and Effective Date of the Capital Reduction	17 July 2014
Crediting of CREST accounts or dispatch of cheques in respect of the Return of Capital	on or around 24 July 2014

For further information, please visit www.prime-people.co.uk or contact:

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Forward-looking statements

Certain statements contained in this announcement are or may constitute “forward-looking statements”. These statements may be identified by words such as “expects”, “looks forward to”, “anticipates”, “targets”, “aims”, “may”, “would”, “could”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will”, “project” or words of similar meaning. They include all matters that are not historical facts. Such statements are based on the current expectations and certain assumptions of the Directors and are, therefore, subject to certain risks and uncertainties. Forward-looking statements are not guarantees of future performance and a number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. The forward-looking statements in this announcement speak only as of the date of this announcement. Except as required by law, the Company disclaims any obligation to update any such forward-looking statements to reflect future events or developments.

Notice to overseas persons

The distribution of this announcement outside the UK may be restricted by law. Persons outside the UK who come into possession of this announcement should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

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1. Introduction and Summary

On 26 February 2014, the Board announced that the Company has built a strong cash position and that the Directors have therefore decided to return surplus cash to the Shareholders. Further to that announcement, I am pleased to set out below details of the proposals to reduce the Company's capital by the cancellation of part of its Share Premium Account and to return an aggregate amount of approximately £1.8 million to Shareholders, which equates to 15 pence per Ordinary Share (calculated by reference to the expected number of Ordinary Shares in issue at the Record Date and assuming no exercise of any options). Shareholders will retain their proportionate equity interests in the Company following implementation of the Capital Reduction.

The Directors are also seeking approval of the Shareholders to remove certain provisions from the Company's memorandum of association and the Articles which are no longer required to be included by the Companies Act. Further details of the proposed amendments are set out in paragraph 5 of this announcement.

The Capital Reduction and the proposed amendments to the Articles are conditional, *inter alia*, on the approval of Shareholders. Shareholders will find set out at the end of the Circular a Notice of General Meeting which has been convened for 9:45 a.m. on Monday, 16 June 2014, to take place shortly after the conclusion of the Company's thirtieth annual general meeting, at the Company's registered office at 2 Harewood Place, Hanover Square, London W1S 1BX.

2. Background to the Capital Reduction

As at 31 March 2014, the Group had net cash of £2.96 million, a large proportion of which is considered by the Board to be surplus to the day-to-day needs of the business. The Company's cash position has strengthened over the course of last year, during which period the Company has relocated its offices in London and Dubai and has continued with the development of its office in Singapore.

The Board therefore considers that the Company has sufficient funds for the purposes of pursuing its current plans for expansion and has concluded that it is appropriate to return surplus cash to Shareholders by way of a Capital Reduction.

If approved by Shareholders at the General Meeting and subsequently confirmed by the Court in the terms proposed by the Company's Board, the effect of the Capital Reduction will be to cancel part of the amount standing to the credit of the Share Premium Account (being £7.1 million in total as at the date of the Circular) so that approximately £1.8 million may be paid to Shareholders by way of a Return of Capital (representing 15 pence per Ordinary Share calculated by reference to the expected number of Ordinary Shares in issue at the Record Date and assuming no exercise of any options). In the event that options are exercised, the Shareholders' pro rata entitlements may be reduced accordingly.

The implementation of the Capital Reduction is subject to a number of criteria and legal processes which are explained further below.

3. Procedure to Effect the Capital Reduction

Share premium forms part of the capital of the Company and arises on the issue by the Company of shares at a premium to their nominal value. The premium element is credited to the Share Premium Account. Under the Companies Act, the Company is generally precluded from paying any dividends or making other distributions in the absence of sufficient distributable reserves, and the Share Premium Account, being a non-distributable reserve, can be applied by the Company only for limited purposes. However, provided the Company obtains the approval of Shareholders by way of a special resolution and subsequent confirmation by the Court, it may reduce all or part of its Share Premium Account and in certain circumstances either return all or part of the sum arising to Shareholders by way of a Return of Capital.

In order to effect the Capital Reduction the Company firstly requires the authority of its Shareholders by the passing of a special resolution at the General Meeting. Resolution 1 is proposed in this regard to reduce the amount standing to the credit of the Company's Share Premium Account and, thereafter, repay the sum arising on the reduction of the Share Premium Account to the registered holders of Shares at the Record Date, in amounts *pro rata* to their existing holdings of Shares. Secondly, the Capital Reduction must be confirmed by the High Court, to which the Company will make an application if Resolution 1 is passed.

The Capital Reduction will take effect when the Order of the High Court confirming it and a statement of capital approved by the High Court have been registered with the Registrar of Companies. The Effective Date of the Capital Reduction is currently expected to be 17 July 2014, being the next working day following the hearing at which the Capital Reduction is to be confirmed by the High Court, which is currently expected to be on or around 16 July 2014. If the Capital Reduction becomes effective on the basis that the proposed Return of Capital is permitted by the Court, it is the Company's intention to pay this capital to Shareholders as soon as practicable thereafter. It is currently expected that cheques in respect of the Return of Capital will be dispatched on or around 24 July 2014 to Shareholders who hold their Shares in certificated form and that CREST accounts of Shareholders who hold their Shares through CREST will be credited on or around the same date.

In order to approve the Capital Reduction, the High Court will need to be satisfied that the interests of the Company's creditors will not be prejudiced by the Capital Reduction. For the benefit of those of its creditors who do not consent, the Company may be obliged to provide security in a form acceptable to the High Court. This is in order that the Capital Reduction can be confirmed by the High Court on terms that will permit any part of the sum released by the Capital Reduction to be returned to Shareholders as a capital payment.

If the Company is unable in the timetable proposed to obtain consent from, or is unable or unwilling to provide security (where security is required) for all such creditors, then the amount released by the Capital Reduction, when the Capital Reduction is confirmed by the High Court, will remain undistributable for the time being until any such outstanding consents have been obtained, security (where security is required) has been put in place, or the relevant obligations have been discharged, and the Company may be required to give an undertaking to that effect to the High Court.

The Board reserves the right (where necessary by application to the High Court) to abandon, discontinue or adjourn any application to the High Court for confirmation of the Capital Reduction, and hence the Capital Reduction itself, if the Board believes that the terms required to obtain confirmation are unsatisfactory to the Company or if, as the result of a material unforeseen event, the Board considers that to continue with the Capital Reduction is inappropriate or not advisable.

The Capital Reduction does not affect the voting or dividend rights of any Shareholder, or the rights of any Shareholder on a return of capital.

4. United Kingdom taxation

The following comments, which are intended as a general guide only and not a substitute for detailed tax advice, are based on current legislation and on what is understood to be current HM Revenue & Customs ("HMRC") practice both of which are subject to change possibly with retrospective effect. They summarise certain limited aspects of the UK taxation consequences of the proposed return of capital to Shareholders. These comments apply only to Shareholders who are resident (and, in the case of individuals, domiciled) in the

UK for tax purposes. They relate only to such Shareholders who hold their Ordinary Shares directly as an investment (other than under individual savings accounts, "ISAs") and who are absolute beneficial owners of those Ordinary Shares. These comments do not deal with certain types of Shareholders, such as collective investment schemes, insurance companies, trustees, persons who are resident in a jurisdiction other than the UK or persons who hold or who have acquired their Ordinary Shares (or options or rights in respect thereof) in the course of trade or by reason of their, or another's, employment.

UK taxation consequences of the Return of Capital to Shareholders

The return of capital on an Ordinary Share should constitute a part-disposal of such share for the purposes of taxation of capital gains in consideration for the amount returned up to the amount originally subscribed for such share (including any premium). A charge to United Kingdom taxation on chargeable gains could therefore arise for a Shareholder depending on the Shareholder's particular circumstances (including the availability of any exemptions, reliefs and allowable losses).

To the extent that the amount of capital returned on an Ordinary Share exceeds the amount originally subscribed for such share (including any premium), this will constitute an income distribution for tax purposes.

A UK resident corporate shareholder will not generally be liable to corporation tax in respect of the income distribution element.

Shareholders who are individuals may be liable to income tax in respect of the income distribution element. Such Shareholders will generally be entitled to a tax credit equal to 10 per cent. of the aggregate of the distribution element and the tax credit itself. Those Shareholders who are not liable to income tax in respect of the distribution element will not generally be entitled to reclaim any part of the tax credit. The income tax charge in respect of the distribution element for basic rate taxpayers will be at the rate of 10 per cent. and therefore such Shareholders will have no further liability to tax on the distribution element. A higher rate taxpayer will be liable to income tax on the sum of the distribution plus the tax credit at the rate of 32.5 per cent. against which he can offset the 10 per cent. tax credit (giving an effective rate of income tax on the distribution element of 25 per cent.). An additional rate taxpayer will be liable to income tax on the sum of the distribution plus the tax credit at the rate of 37.5 per cent. against which he can offset the 10 per cent. tax credit (giving an effective rate of income tax on the distribution element of approximately 30.56 per cent.).

Under the provisions of Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, HMRC can in certain circumstances counteract tax advantages arising in relation to a transaction or transactions in securities. If these provisions were to be applied by HMRC to the return of capital to Shareholders, in broad terms, Shareholders might be liable to taxation on income rather than chargeable gains on a greater part of the amount of capital returned than identified above. The Company has not applied for clearance from HMRC under section 748 of the Corporation Tax Act 2010 and section 701 of the Income Tax Act 2007 that they are satisfied that the transactions in securities provisions should not be applied to the return of capital. However, the Company has been advised that such provisions should not apply to the return of capital.

UK stamp duty and stamp duty reserve tax ("SDRT")

No UK stamp duty or SDRT will arise on the return of capital to Shareholders.

This section is not intended to be, and should not be construed to be legal or taxation advice to any particular Shareholder. Any Shareholder who has any doubt about his own taxation position or who is subject to taxation in any jurisdiction other than the UK should consult his professional tax adviser without delay.

5. General Meeting

Shareholders will find a Notice convening the General Meeting of the Company at the end of the Circular. The General Meeting will be held at 9:45 a.m. on Monday, 16 June 2014, shortly after the Company's annual

general meeting at the Company's registered office at 2 Harewood Place, Hanover Square, London W1S 1BX to consider and, if thought appropriate, pass the Resolutions certain of which are summarised below.

Resolution 1: Capital Reduction and Return of Capital

Resolution 1 will be proposed as a special resolution of the Company. The Directors will be seeking approval of Shareholders to, subject to the consent of the Court, cancel £1.8 million standing to the credit of the Company's Share Premium Account and then repay the sum arising on cancellation of this amount to Shareholders who are on the Company's register of members at 6:00 p.m. on the Record Date pro rata to their respective holdings of Ordinary Shares. Assuming that no options over the Company's Ordinary Shares will be exercised between the date of the Circular and the Record Date, the amount to be returned equates to 15 pence per Ordinary Share. In the event that options are exercised, the Shareholders' pro rata entitlements may be reduced accordingly.

Resolution 2: Amendments to the Articles of Association

Resolution 2 will be proposed as a special resolution of the Company. The Companies Act removed the requirement for companies to have a memorandum of association and allowed for any special provisions to be incorporated into the Articles of Association instead. The Companies Act also removed the requirement for a company to have an authorised share capital.

Accordingly, the Directors will be seeking approval of Shareholders to remove the Company's memorandum of association and incorporate certain of its provisions into the Articles. Approval will also be sought to delete Article 1(A) relating to the authorised share capital in its entirety, therefore removing any limit on the Company's ability to allot and issue shares in the future. Other provisions of the Company's Articles will remain unchanged.

6. Recommendation

The Company's Board considers the Capital Reduction and the proposed amendments to the Articles to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions, as all of the Directors intend to do in respect of their beneficial holdings amounting, in aggregate, to 6,940,000 Ordinary Shares representing just over 57 per cent. of the existing issued share capital of the Company as at the date of the Circular.