

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt about the contents of this document or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser.**

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document and the accompanying Form of Proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale of transfer was effected for delivery to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, please retain the documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected as to the action you should take.

This document contains no offer of transferable securities to the public within the meaning of section 102B of the FSMA, the Companies Act or otherwise. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of the FSMA and has not been (and is not required to be) drawn up in accordance with the Prospectus Rules or approved by the UK Financial Conduct Authority or any other competent authority.

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# **PRIME PEOPLE PLC**

*(incorporated in England and Wales with registered number 1729887)*

**Proposed cancellation of part of the Share Premium Account,  
Proposed Return of Capital to Shareholders,  
Proposed amendments to the Articles of Association**

**and**

**Notice of General Meeting**

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**You should read this document in its entirety, together with the Form of Proxy. Your attention is drawn to the letter from the Executive Chairman of Prime People plc which is set out in this document and which contains the unanimous recommendation from the Board that you vote in favour of the Resolutions at the General Meeting.**

The Directors, whose names appear on page 5, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Notice convening the General Meeting of Prime People plc to 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 is set out at the end of this document. Shareholders have been provided with a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to attend the General Meeting in person, please complete, sign and return the Form of Proxy to the Registrar in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by no later than 9:45 a.m. on 12 June 2014 or 48 hours (excluding any part of a day which is a non-working day) before the time fixed for holding any adjourned meeting. The completion and return of a Form of Proxy will not prevent Shareholders from attending and voting in person at the General Meeting should they wish to do so.**

A copy of this document is available at the Company's website at [www.prime-people.co.uk](http://www.prime-people.co.uk). Neither the content of the Company's website nor any website accessible by hyperlinks from the Company's website is incorporated in, or forms part of, this document.

### **Forward-looking statements**

Certain statements contained in this document 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 document speak only as of the date of this document. 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 document and/or the accompanying Form of Proxy outside the UK may be restricted by law. Persons outside the UK who come into possession of these documents 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.

## CONTENTS

	<i>Page</i>
Expected Timetable of Principal Events	4
Letter from the Executive Chairman of the Company	5
Definitions	10
Notice of General Meeting	12

## 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 document are to London times, unless otherwise stated.**

Publication of this document and Forms of Proxy	29 May 2014
Latest time and date for receipt of Forms of Proxy	9:45 a.m. on 12 June 2014
General Meeting	9:45 a.m. on 16 June 2014
Record Date and time for entitlement to the Return of Capital	6:00 p.m. on 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

# LETTER FROM THE EXECUTIVE CHAIRMAN OF THE COMPANY

## PRIME PEOPLE PLC

*(incorporated in England and Wales with registered number 1729887)*

*Directors:*

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

*Registered Office:*

2 Harewood Place  
Hanover Square  
London  
W1S 1BX

29 May 2014

*To Shareholders and, for information purposes only, the holders of options*

Dear Shareholder,

**Proposed cancellation of part of the Share Premium Account,  
Proposed Return of Capital to Shareholders,  
Proposed amendments to the Articles of Association**

**and**

**Notice of General Meeting**

### **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 letter.

The Capital Reduction and the proposed amendments to the Articles are conditional, *inter alia*, on the approval of Shareholders. You will find set out at the end of this document 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.

**The purpose of this document is to provide you with details of, and the reasons for, the Capital Reduction and the Resolutions to be proposed at the General Meeting. Your Board considers that the Resolutions are in the best interests of the Company and its Shareholders as a whole and unanimously recommends that you vote in favour of the Resolutions to be proposed at the General Meeting.**

## **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 your 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 this document) 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**

You will find a Notice convening the General Meeting of the Company at the end of this document. 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 this document 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. Action to be taken**

**A Form of Proxy for use in connection with the General Meeting is enclosed with this document. Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return a Form of Proxy in accordance with the instructions printed thereon so as to be received by the Registrar, Neville Registrars Limited of Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, not later than 9:45 a.m. on 12 June 2014. Completion and return of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting, if you wish to do so.**

## **7. Recommendation**

**Your 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 this document.**

Yours faithfully,

**Robert Macdonald**  
*Executive Chairman*  
**Prime People plc**

## DEFINITIONS

<b>“Articles of Association” or “Articles”</b>	the articles of association of the Company as at the date of this document
<b>“Board” or “Directors”</b>	the directors of the Company as at the date of this document
<b>“Capital Reduction”</b>	the proposed reduction of part of the amount standing to the credit of the Share Premium Account
<b>“Companies Act”</b>	the Companies Act 2006
<b>“Company”</b>	Prime People plc
<b>“Court”</b>	the High Court of England and Wales
<b>“Effective Date”</b>	17 July 2014
<b>“Form of Proxy”</b>	the blue form of proxy which accompanies this document for use by Shareholders in connection with the General Meeting
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended
<b>“General Meeting”</b>	the general meeting of the Company convened to be held at 9:45 a.m. on Monday, 16 June 2014, at the Company’s registered office at 2 Harewood Place, Hanover Square, London W1S 1BX
<b>“Group”</b>	the Company and its subsidiaries and subsidiary and associated undertakings as at the date of this document
<b>“Notice of General Meeting”</b>	the notice convening the General Meeting which is set out at the end of this document
<b>“Ordinary Shares”</b>	the ordinary shares of 10 pence each in the share capital of the Company from time to time
<b>“Prospectus Rules”</b>	the prospectus rules made by the Financial Conduct Authority for the purpose of Part VI of the FSMA
<b>“Record Date”</b>	6:00 p.m. on 16 July 2014
<b>“Registrar”</b>	Neville Registrars Limited of Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA
<b>“Regulatory Information Service”</b>	a service approved by the London Stock Exchange plc for the distribution to the public of announcements and included within the list maintained on the London Stock Exchange plc’s website
<b>“Resolutions”</b>	the resolutions set out in the Notice of the General Meeting

<b>“Return of Capital”</b>	the proposed return of capital to Shareholders who are on the Company’s register of members at the Record Date pro rata to their respective holdings of Ordinary Shares
<b>“Shareholders”</b>	holders of Ordinary Shares from time to time
<b>“Share Premium Account”</b>	the non-distributable capital reserve with that name in the accounts of the Company
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland

A reference to “£” is to pounds sterling, the lawful currency of the UK.

## NOTICE OF GENERAL MEETING

### PRIME PEOPLE PLC

*(incorporated in England and Wales with registered number 1729887)*

**NOTICE IS HEREBY GIVEN** that a General Meeting (the "**GM**") of Prime People plc (the "**Company**") will be held at 9:45 a.m. on Monday, 16 June 2014, at the Company's registered office at 2 Harewood Place, Hanover Square, London W1S 1BX. You will be asked to consider and, if thought fit, pass the following resolutions, which are being proposed as special resolutions of the shareholders of the Company.

Capitalised terms and expressions contained in this notice shall have the meanings given to them in the circular to the Company's shareholders published on 29 May 2014 (the "**Circular**"), unless the context requires otherwise.

### SPECIAL RESOLUTIONS

1. **THAT**, subject to the consent of the Court, £1.8 million standing to the credit of the share premium account of the Company be cancelled and the sum arising on cancellation of this amount be repaid to the registered holders of Ordinary Shares who are on the Company's register of members at 6:00 p.m. on 16 July 2014 pro rata to their respective holdings of Ordinary Shares.
2. **THAT** the Articles of Association of the Company be amended as follows:
  - (a) the memorandum of association be removed in its entirety and the following provisions which are currently contained in the memorandum of association being incorporated into the Articles of Association as follows:
    - (i) new Article 131 be inserted into Part II as follows: "*The liability of the members is limited.*"; and
    - (ii) new Article 132 be inserted into Part II as follows: "*The registered office of the Company will be situated in England and Wales.*"; and
  - (b) Article 1(A) entitled "*Share Capital*" in Part I be removed in its entirety and be replaced with Article 1(B) entitled "*Borrowing Powers*", and the remaining articles in Part I be re-numbered accordingly.

*By order of the Board*

**Christopher Heayberd**  
*Company Secretary*

*Registered Office*

2 Harewood Place  
Hanover Square  
London  
W1S 1BX

Date: 29 May 2014

**Notes:**

1. A member entitled to speak, attend and vote at the above meeting convened by the above notice is entitled to appoint a proxy to attend, speak and vote in his place. Such proxy need not be a member of the Company. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not being the Chairman) and give your instructions directly to them.
2. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member. A member wishing to appoint more than one proxy should photocopy the proxy card and indicate on each copy the name of the proxy he appoints and the number of shares in respect of which that proxy is appointed.
3. A form of proxy is enclosed. The appointment of a proxy will not prevent a Shareholder from subsequently attending and voting at the meeting in person, in which case any votes cast by the proxy will be excluded and the proxy appointment will automatically be terminated. In order to revoke a proxy appointment, an appointing Shareholder will need to inform the Company by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to the Company's Registrar, Neville Registrars Limited of Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA by the time appointed for holding the meeting or adjourned meeting, or in the case of a poll taken subsequently to the meeting or adjourned meeting, by the time appointed for taking the poll.
4. To be effective, the instrument of proxy and the power of attorney or other written authority (if any) under which it is signed, or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 or the Enduring Powers of Attorney Act 1986 (or any statutory modification or re-enactment thereof for the time being in force) of any such power or written authority must be deposited with the Company's Registrar, Neville Registrars Limited of Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, not less than 48 hours (excluding any part of a day which is a non-working day) before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll taken subsequently to the meeting or adjourned meeting, not less than 24 hours before the time appointed for taking the poll. Where a poll is not taken forthwith but is taken less than 48 hours after it was demanded, the instrument of proxy together with any other documents required to be deposited shall be deemed to have been deposited if handed to the chairman of the meeting at which the poll is validly demanded at any time prior to the commencement of such meeting and, if so delivered, the instrument of proxy shall be treated as valid.
5. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those Shareholders entered on the Company's register of members not later than 48 hours (excluding any part of a day which is a non-working day) before the time fixed for the meeting or, if the meeting is adjourned, Shareholders entered on the Company's register of members not later than 48 hours (excluding any part of a day which is a non-working day) before the time fixed for the adjourned meeting, will be entitled to attend and vote at the meeting. Changes to entries on the register of members after the relevant times will be disregarded in determining the rights of any person to attend and vote at the meeting.