Prime People Plc

Annual Report and Accounts

for the 15 months ended 31 March 2006

2006

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Chairman's statement

Introduction

I am pleased to report on the results of Prime People Plc for the 15 months ended 31 March 2006.

2005 was a milestone year for the Company, its employees and shareholders as the business was transformed by the reverse takeover of Macdonald & Company Group Ltd ("Macdonald") in January 2006 for £10.52 million. I joined the Board of Prime People on completion as Executive Chairman, a position I held at Macdonald, and I am delighted to welcome our new investors and colleagues to the business.

On 16 May 2005, Simon Murphy was appointed to the Board as Chief Executive, with the specific mandate to create shareholder value "by developing and broadening the activities of the business, initially through acquisition". This was successfully achieved with the acquisition of Macdonald, which transformed Prime People into the UK's only listed professional recruitment consultancy focused on the commercial property industry. I would like to thank Simon for his significant contribution to this process and am delighted he has agreed to remain on the Board, as a non-executive director.

The acquisition led to changes to the composition of the Board, reflecting the changed focus of the business. Detailed biographies of the Board are contained on page 10. I would like to take this opportunity of introducing my two fellow executive directors.

Peter Moore is Managing Director, with overall responsibility for operational activity in the Group. Peter, a Chartered Surveyor, has been with Macdonald for the last 12 years, and Managing Director for the last ten. He has managed the business through its 9 years of double-digit growth.

Chris Heayberd remains as Finance Director, having been with Prime People since 2000. Chris has over seventeen years experience of working with, acquiring and integrating recruitment businesses as well as thirteen years as a director of publicly listed companies. I am delighted Chris agreed to remain in his role as Finance Director of the enlarged group and his experience will be invaluable as we continue to expand the business.

My own experience includes over 30 years in the recruitment sector and founder of Macdonald.

Peter Hearn and David Coubrough, formerly Chairman and non-executive Director, respectively, stepped down from the Board at the time of the transaction.

Statutory Results

The statutory results for Prime People are for the fifteen months ended 31 March 2006 and include three months trading for Macdonald. These are set out in full in the financial statement and commented upon in the financial review.

Chairman's statement

Pro-forma Results for the ongoing business for the year to 31 March 2006

With Prime People's new focus on the property recruitment market, I am pleased to report that the sector has enjoyed significant growth in recent years. This is reflected in our pro forma results which are presented below for the twelve months to 31 March 2006 presented as if the ongoing businesses had all been in existence throughout the year. Comparatives have been prepared on the same basis.

Pro forma results:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000	% change
Gross Fee Income	**16,504**	12,372	+ 33.4%
Direct Costs	(7,699)	(6,004)	
Net Fee Income	**8,805**	6,368	+ 38.3%
Admin Expenses	(6,997)	(5,397)	
Operating Profit	**1,808**	971	+ 86.2%
Net Interest	(51)	(70)	
Profit before tax	**1,757**	**901**	+ 95.0%
Taxation at 30%	(527)	(270)	
Profit after tax	**1,230**	631	+94.9%
Fully diluted EPS	**10.23p**	5.25p	+94.9%

Prime People includes the trading businesses of Macdonald and Harper Craven Associates. Pro forma Net Fee Income has grown by 38% to £8.8m (2005: £6.4m). Pro forma operating profit for 2006 was £1.76m (2005: £0.9m) a 95% increase. In addition to the tight management of our business a number of external factors have been driving this growth. I am pleased to report that these look set to continue to be positive for us. The global strength of the commercial property sector, combined with the advent of Real Estate Investment Trusts ("REITs") and the continuing investment in regeneration and major infrastructure projects in the UK give me added confidence in Prime People's future growth prospects within its core business.

The strong underlying performance of Macdonald over the past year has led the Board to propose a final dividend of 1p per ordinary share. This will be paid on 5 July 2006 to shareholders on the register on 16 June 2006 and brings the total dividend paid to shareholders to 2.25 pence per New ordinary share. Going forward, it is anticipated that the Board will review the dividend in the light of trading and likely cash requirements of the Group at the relevant time.

Chairman's statement

Future Activity

As announced in December, we believe our core business is a long way from fulfiling its potential. We are actively planning organic growth whilst at the same time considering acquisition targets of an appropriate size and operational fit within the property sector, particularly those which may provide access to additional areas of specialism.

As referred to by Peter Moore in his review of operations, we are progressing our plans to broaden the business overseas. We believe that, over time, and in addition to accessing growth markets, an international business model should provide a degree of counter-cyclical support to our business.

Currently our focus is on the property sector but the Board believes that when appropriate it may be possible to apply the Macdonald model to certain other sectors and we have this under constant review.

I look forward to telling shareholders of developments in these various areas in due course.

Robert Macdonald
Chairman

6 June 2006

Operating Review

Macdonald

Our core business is the provision of recruitment services to the Commercial Property and Real Estate markets in the UK and around the world, a sector managing assets in the UK alone valued at £640bn. It trades as Macdonald & Company and is the only property recruitment consultancy to be approved by the Royal Institution of Chartered Surveyors ("RICS"). We have seen a further increase in revenue and profit over the past year as the business has maintained its record of consistent growth. Net fee income ("NFI") increased by 40.3% from £5.87m to £8.23m reflecting an increase in fee earners of 21%, bringing our total number of consultants to 64 at the year end. Details of the split between temporary and permanent net fee income is shown below:

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000	% change
Net fee income - contract & temporary	1,951	1,411	+ 38.27%
Net fee income - permanent	6,282	4,456	+ 40.98%
Total net fee income	8,233	5,867	+ 40.33%

In January 2006, we began the first stage of our international expansion strategy, with the relocation of fee earning staff to Dubai. Progress in this region has been rapid and we anticipate that the region will be a strong contributor to NFI in 2006/2007. The operation will be expanded significantly in the coming year to capitalise on the burgeoning opportunities across the Middle East. In March this year, the Board took the decision to begin operations in Hong Kong and it is anticipated that staff will be relocating to the office there in the summer of 2006 with plans for rapid growth. We are also actively seeking opportunities to establish an operation in Australia.

In the UK, we moved to larger premises in central Manchester to accommodate the growth in numbers employed in that region. Our head office remains in Mayfair, London where we are benefiting from a refurbishment program undertaken in 2005 to increase the number of fee earners that can be accommodated.

We have also reconfigured our data management process to allow secure access to all records held on our centralised data-base. This new structure provides immediate access to our central recruitment data-base, for all fee earning staff, including those based internationally.

Harper Craven

Harper Craven, which has been in the group for a number of years provides bespoke sales, marketing and management training and coaching programmes to a broad range of corporate clients. It has made a contribution of £29,673 to group profits before tax compared to £17,101 in 2004.

Operating Review

Outlook

2006 has got off to a strong start with net fee income in the two month period to the end of May up 20% ahead of the same period last year. Overseas revenue generation is a key priority of the Board as the business expands into new geographic territories. Early indications from business flows in the Middle East are very encouraging. This, combined with increasing fee earner numbers, the introduction of REITs to the UK from January 2007, as well as the longer term opportunities offered by regeneration and ongoing infrastructure projects in the UK, gives the Board confidence in the future progress of the Group.

Our people

Finally, I should like to thank our staff for their hard work and commitment over the last fifteen months and remind shareholders that these results are a testament to their efforts. The Sunday Times ranked Macdonald 20th in their "100 Best Small Companies To Work For", recognising the positive culture we have established in the business. The hallmark of a successful recruitment company is the provision of outstanding candidates through exceptional service and industry knowledge and I, my managers, our consultants and all members of staff are committed to this.

Peter Moore
Managing Director

6 June 2006

Financial Review

The financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS); This is a significantly ahead of schedule as AIM quoted companies do not have to report under IFRS until 2007.

Trading Results

Gross fee income for the period ended 31 March 2006 increased by 134% to £5,373,053 (31 December 2004: £2,294,548). The group generated operating profits of £317,225 (2004: loss £283,243) before exceptional items of £185,700 relating to restructuring and integration costs in 2006 and before an operating profit of £193,721 in 2004 which relates to the discontinued business in 2004. This turnaround is entirely as a result of the operating profit generated since the acquisition of Macdonald in January 2006.

Associate Undertaking

Following the period end we announced the disposal of our 44.66% interest in Cameron Kennedy for a cash consideration of £180,000. This business was significantly under performing and the Board concluded that it was in the best interest of shareholders to dispose of it. The write down of the value of our holding taken together with our share of the associate company's losses gives rise to a loss of £234,676.

Interest

The interest receivable of £134,253 primarily arose in the twelve month period leading up to the acquisition of Macdonald in January 2006.

The interest charged for the period of £42,109 comprises interest in respect of the confidential invoice discounting facility, bank loan and overdraft.

Taxation

The taxation charge is £15,510 on a loss on ordinary activities before taxation of £11,007. The reasons for the difference from the standard UK corporation tax rate of 30% are detailed in note 8 of the accounts. The group has benefited from utilisation of tax losses created in the year.

Earnings Per Share

The basic loss per share for the period is 0.52p (2004: earnings 18.25p); the continuing basic earnings per share is 6.69p compared to a loss in 2004 of 4.50p.

The continuing diluted earnings per share is 6.09p (2004: loss per share 4.50p)

Dividend

As outlined in the chairman's statement, the directors propose a final dividend of 1p which will be paid on 5th July 2006 to shareholders who are on the register on the 16th June 2006 making a total dividend for the period of 2.25p (post share consolidation).

Financial Review

Purchase of Macdonald & Company Group Limited

On 3 January 2006 the group completed the acquisition of the entire share capital of Macdonald & Company Group Limited for an initial consideration of £9.52 million satisfied by payment of £3.5 million in cash and the issue of New ordinary shares in the company is to the value of £6.02 million. Further consideration of £1 million is payable immediately following the announcement of the company's preliminary results and will be satisfied by issuing further New ordinary shares in the group. (see note 23).

Share Consolidation

In conjunction with the acquisition of Macdonald the share capital of the company was re-organised by the consolidation of every ten issued ordinary shares of 1p each into one New ordinary share of 10p each.

Change of Accounting Reference Date

Following the acquisition of Macdonald the company changed its accounting reference date from 31 December to 31 March to correspond with the year end of Macdonald.

Treasury Management.

Net cash inflow of £154,792 (2004: outflow of £93,986) was generated from operating activities during the period which after net taxation payments of £584,864 (2004: net receipt of £74,350) resulting in a net cash outflow used from operating activities of £430,072 (2004: £19,636).

Net cash used in investing activities totalled £9.6 million and this was principally financed by the issue of ordinary share capital to the value of £6.02m to the vendors of Macdonald together with a new bank loan of £1.4m and the use of existing cash resources from within the group.

The group maintains a range of facilities with a net debt position at 31 March 2006 of £1,250,248 compared to net funds of £2,800,187 at 31 December 2004. This largely reflects the cash flows and debt relating to the acquisition of Macdonald.

Christopher Heayberd
Finance Director

6 June 2006

Directors and Advisers

Directors

R J G Macdonald	(Executive Chairman)
P H Moore	(Managing Director)
C I Heayberd	(Finance Director)
J H J Lewis OBE	(Non-Executive)
S J Murphy	(Non-Executive)

Secretary and registered office

C I Heayberd, 40A Dover Street, London, W1S 4NW.

Registered number

1729887

Stockbrokers & Nominated Advisers

W H Ireland Limited, 11 St James Square, Manchester, M2 6WH.

Solicitors

Howard Kennedy, 19 Cavendish Square, London, W1A 2AW.

Auditors

Horwath Clark Whitehill LLP, Kennet House, 80 Kings Road, Reading, Berkshire, RG1 3BL.

Principal bankers

Barclays Bank plc, Corporate Banking, PO Box 112, Horsham, West Sussex, RH12 1YQ.

Registrars

Neville Registrars Limited, Neville House, Laurel Lane, Halesowen, West Midlands, B63 3DA.

Report of the directors for the 15 months ended 31 March 2006

The directors present their annual report together with the audited financial statements for the 15 months ended 31 March 2006.

Principal activity, business review and future developments

The principal activity of the group during the period was the provision of recruitment and training services.

A review of the group's business results is contained in the Chairman's statement and the Operating and Financial reviews on pages 1 to 7.

Results

The consolidated loss on ordinary activities after taxation amounted to £26,517 (2004 profit - £672,386).

Dividends

An interim dividend of 0.125pence per ordinary share (1.25 pence per New ordinary share - post consolidation) was paid on 21 December 2005 to those shareholders on the register at 1 December 2005 and a final dividend of 1 pence per New ordinary share will be paid on 5 July 2006 to those shareholders on the register at 16 June 2006.

Reorganisation of and increase in share capital

On 3 January 2006 the shareholders of the company approved the reorganisation of the share capital of the company by the consolidation of every 10 issued ordinary shares of 1p each into one New ordinary share of 10p each and issued 7,155,593 New ordinary shares as part of the consideration for the acquisition of Macdonald & Company Group Limited.

Directors and directors' interests

The directors who held office during the period were as follows:

R J G Macdonald	(Executive Chairman - appointed 3 January 2006)
P H Moore	(Managing Director - appointed 3 January 2006)
C I Heayberd	(Finance Director)
J H J Lewis	(Non-executive - appointed 3 January 2006)
S J Murphy	(Non-executive - appointed 16 May 2005 as Chief Executive and on 3 January 2006 assumed a non-executive role)
P J Hearn	(Resigned 3 January 2006)
D C Coubrough	(Resigned 3 January 2006)
R E M Lee	(Resigned 8 August 2005)

Report of the directors for the 15 months ended 31 March 2006

Directors and directors' interests *(continued)*

The directors who held office at the end of the financial period had the following interests, all of which are beneficial, in the ordinary shares of Prime People Plc, as recorded in the register of directors' share interests:

	New ordinary shares of 10p each 31 March 2006	Ordinary shares of 1p each 31 December 2004
R J G Macdonald	2,126,832	-
P H Moore	2,452,946	-
C I Heayberd	199,238	150,049
J H J Lewis	744,651	-
S J Murphy	230,000	-

Details of directors' share options are given in the Remuneration Report on page 19.

There have been no changes to the directors' interests in the ordinary share capital of Prime People Plc from the date of appointment to the Board and 31 March 2006 and between 31 March 2006 and 19 May 2006.

Following the announcement of the group's results Messrs Macdonald, Moore and Lewis will be entitled to receive deferred consideration which will be payable by the issue and allotment of further New ordinary shares as follows:

R J G Macdonald	353,295
P H Moore	444,960
J H J Lewis	111,198

Directors' biographies

Robert Macdonald 58 - Executive Chairman

Robert has held senior positions within the recruitment industry since 1973 when he founded Reuter Simkin Ltd, a recruitment business in both the legal and property sectors. After the sale of Reuter Simkin in 1989, he acquired shares in and was chairman of, two other recruitment companies including Straker Simkin 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 agency in London. Macdonald & Company was incorporated separately in 1996 when certain key members of staff, including Peter Moore, acquired equity stakes.

Peter Moore MRICS 36 - Managing Director

Peter worked with Strutt & Parker from 1992 to 1995, qualifying as a chartered surveyor in 1994. He joined Macdonald & Company in November 1995 and was appointed Managing Director in 1996. As MD of Macdonald & Company, Peter has responsibility for its day-to-day operations. He has introduced operational tools such as customer relationship management, anonymous staff surveys, staff working groups, objective grading systems for staff and highly incentivising remuneration schemes. He specialises in advising on topics such as staff retention, mergers and acquisitions, human resource policy and remuneration benchmarking. He is also responsible for the industry's benchmark salary and benefits survey undertaken annually in conjunction with RICS.

Report of the directors for the 15 months ended 31 March 2006

Directors' biographies *(continued)*

Christopher Heayberd BA ACA 53 - Finance Director

Christopher qualified as a Chartered Accountant in 1980 and since that date has 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. Christopher rejoined the Board of Prime People in June 2000 and for a period of five years combined the role of Finance Director with other business interests. In May 2005 he returned full time to the Board.

John Lewis OBE LLB (Hons) 65 - Non-executive director

John is a solicitor (non practicing) and a consultant to Eversheds. Previously he served as a partner in Lewis Lewis and Co which became part of Eversheds after a series of mergers. John is currently a director of AIM listed G R (Holdings) 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.

Simon Murphy BSc ACA 41 - Non-executive director

Simon qualified as a chartered accountant with Coopers & Lybrand. Until April 2005 he was 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.

Substantial shareholders

The following shareholders held interests of 3% or more of the nominal value of the issued ordinary share capital of the company, as recorded in the register of substantial share interests at 19 May 2006.

	Number of 10p ordinary shares	Percent of issued share capital %
Peter Moore	2,452,946	22.63
Robert Macdonald	2,126,832	19.62
Mrs Marilyn Lee	899,963	8.30
John Lewis	744,651	6.87
Oliver Wright	439,429	4.05
City of London PR Group	429,455	3.96

Except for the interests disclosed above, the directors are not aware of any other interests (direct or indirect) of 3% or more of the issued ordinary share capital of the company.

The mid market quotation of the company's shares at close of business on 31 March 2006 was 90p. The highest and lowest mid market quotations in the period from 3 January 2006 to 31 March 2006 were 100p and 85p. The highest and lowest mid market quotations in the period prior to the share consolidation (see note 18) from 1 January 2005 to 3 January 2006 were 10.25p and 5.5p.

Report of the directors for the 15 months ended 31 March 2006

Policy and practice on payment of creditors

Group

The group agrees payment terms with each of its major suppliers and seeks to abide by these terms, subject to satisfactory performance by the supplier. Trade creditors for the group at the year end represent 40 days average purchases (2004 - 7 days).

Company

The company makes no trade purchases.

Personnel Policies

The Group gives consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person.

The Group has embraced the Government's policy on Stakeholder Pensions and made available schemes open to all employees.

During the year, the policy of providing employees with information about the Group has been continued and employees have been encouraged to present their own suggestions and views.

Environmental Policy

The Group recognises its responsibilities for the environment and gives due consideration to the possible effects of its activities on the environment. The Group's activities have a minor 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. The Group is committed to the following principles to ensure the business operates in an environmentally sensitive manner:

- Encouraging the re-use and re-cycling of products
- Ensuring efficient use of materials and energy
- Purchasing environmentally friendly materials where appropriate.

Directors' and Officers' Liability Insurance

The company maintains liability insurance for the directors and officers of the company and its subsidiaries.

Report of the directors for the 15 months ended 31 March 2006

Special business for the annual general meeting

The notice of the meeting contains Ordinary and Special Resolutions to be proposed at the annual general meeting. The Special Business is detailed below:

Allotment of shares

The Companies Act 1985 provides that the directors of the company may only allot unissued shares if they have the authority of shareholders or the Articles of Association to do so. Approval of shareholders will therefore be sought in resolution 10 to grant authority to allot shares up to a maximum aggregate nominal amount of £361,338. This amounts to 3,613,059 shares or approximately 33.33% of the total share capital in issue as at 1 May 2006.

Except for the issue of shares pursuant to the terms of the acquisition agreement to acquire the entire share capital of Macdonald & Company Group Limited, the directors have no intention, at present, of issuing any part of that capital and no issue will be made which will effectively alter control of the company without the prior approval of shareholders in general meeting.

In addition, the Companies Act 1985 gives shareholders statutory rights of pre-emption, whereby any shares issued for cash must be offered to existing shareholders pro rata to their respective holdings. Assuming your directors are granted the authority to issue new shares by shareholders, authority will be sought in resolution 11 to allot shares for cash up to a maximum aggregate nominal amount of £54,201, representing 542,013 shares, approximately 5% of the issued ordinary share capital of the company, to persons other than existing shareholders as if the statutory pre-emption rights did not apply. The authorities granted by the relevant resolutions will expire on the earlier of 4 October 2007 or at the conclusion of the next annual general meeting.

Market purchases of own shares

Resolution 12 will be proposed as a special resolution at the Annual General Meeting and, if approved, will give the Company authority to make market purchases of its own shares. The Directors propose that the Company should be authorised to purchase a maximum of 1,084,026 ordinary shares of 10p each, equivalent to approximately 10% of the current ordinary shares in issue.

The effect of any purchases will be to reduce the number of shares in issue and the authority will only be exercised if the directors believe that to do so would result in an increase in earnings per share for remaining shareholders and is in the best interest of shareholders generally.

Auditors

During the period Horwath Clark Whitehill LLP were appointed as auditors and have expressed their willingness to continue in office and a resolution to re appoint them will be proposed at the annual general meeting.

On behalf of the Board

C I Heayberd
Director

6 June 2006

Corporate governance

Statement by the Directors on compliance with the Combined Code

The company is listed on the Alternative Investment Market (AIM) and is therefore not required to comply with the provisions of the 2003 FRC Code. Nevertheless, the Board is committed to ensuring that proper standards of corporate governance operate throughout the Group and has followed the principles of the Code so far as is practicable and appropriate for the nature and size of the Group.

This is not a statement of compliance as required by the Combined Code and should therefore not be relied upon to give the disclosure which would normally be made.

A statement of the directors' responsibilities in respect of the financial statements is set out on page 20. 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

The Board currently consists of an executive chairman, R J G Macdonald, two other executive directors and two non-executive directors.

The non-executive directors are J H J Lewis and S J Murphy. Both receive a fixed fee for their services and their interests in the shares of the company are as described on pages 10 and 18

Biographies of the Board members appear on pages 10 to 11.

The Board meets at least 6 times each year and 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 judgement 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 regular 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 election 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 re-election at the Annual General Meeting.

Corporate governance

The Board ***(continued)***

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 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 S J Murphy. Its terms of reference require it to meet not less than twice each year and it provides a forum for reporting by the Group's auditors. By invitation, the meetings are also attended by the Finance Director.

The Audit Committee is responsible for reviewing a wide range of financial matters including ensuring that the financial performance of the Group is adequately measured and controlled, correctly represented, reported to and understood by the Board. The Audit Committee advises the Board on the appointment of external auditors and on their remuneration, both for audit and non-audit work, and discusses the nature and scope of their audit. The Committee has unlimited access to the company's auditors.

Remuneration Committee

The members of the Remuneration Committee comprises the two non executive directors of the company and is chaired by J H J Lewis. The principal terms of reference of the committee are set out in the Remuneration Report on pages 17 to 19. 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.

Going concern

The directors believe the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Corporate governance

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.

The Board has reviewed the effectiveness of the Group's internal control systems for the period 1 January 2005 to the date of approval of the financial statements. The Board will continue to review the effectiveness of its control assessment system on a regular basis.

The Board has established procedures, which are designed to provide effective internal control for the Group and these include:

Control Procedures

The directors have in place an organisational structure with clearly defined levels of responsibility and delegation of authority.

Control procedures include annual budget approval and monitoring of actual performance. Formal staff appraisal procedures and training programmes are in place. Capital expenditure requests are reviewed by the Board and appropriate due diligence work will be carried out when a business is to be acquired.

It is Board policy that executive directors receive suitable training for their position, which is considered as part of the appraisal process.

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.

Financial Reporting

The Group has a comprehensive system of financial reporting. There is a detailed budgeting system in place which includes the plan of each operating company being approved by the executive directors and the Board approves the overall Group budget. On a monthly basis, actual results are reported against budget and any significant adverse variances examined and remedial action taken where necessary.

Remuneration Report

The Remuneration Committee comprises J H J Lewis and S J Murphy. The Committee makes recommendations to the Board on the total reward package for the company's executive directors.

Remuneration policy

The main aim of the committee is to attract, retain and motivate high calibre individuals with a remuneration package 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.

Service contracts

Executive Directors

All Executive Directors hold a contract for service which includes a notice period of one year. The Executive Directors have service agreements with the Company which are terminable by either party giving one years notice. 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

Both non-executive directors have been appointed for an initial term of one year from 3 January 2006. The appointments may be terminated earlier by either party on three months notice.

Remuneration Report

Remuneration of directors

The remuneration of directors who served during the period is shown in the table below. Remuneration includes management salaries, fees as directors, performance related bonuses and taxable benefits. Remuneration shown is in respect of each director's period in office during the period as a board member of Prime People Plc and includes remuneration from the company and its subsidiary undertakings.

	Salaries and fees £	Performance related payments £	Termination payments £	Benefits £	Total 2006 £	Total 2004 £
Executive Chairman						
R J G Macdonald (from 3 January 2006)	21,563	-	-	-	21,563	-
Non Executive Chairman						
R E M Lee (to 15 May 2005)	5,250	-	-	-	5,250	14,000
P J Hearn (from 16 May 2005 to 3 January 2006)	10,163	-	-	-	10,163	-
Executive Directors						
P H Moore (from 3 January 2006)	32,400	-	-	2,377	34,777	-
C I Heayberd	109,837	16,175	-	4,347	130,359	86,543
S J Murphy (from 16 May 2005 to 3 January 2006)	64,036	101,175	50,000	415	215,626	-
P J Hearn (to 15 May 2005)	5,000	-	-	-	5,000	15,000
Non-executive directors						
J H J Lewis (from 3 January 2006)	3,629	-	-	-	3,629	-
S J Murphy (from 3 January 2006)	3,587	-	-	-	3,587	-
R E M Lee (from 16 May to 8 August 2005)	2,917	-	-	-	2,917	-
D C Coubrough (to 3 January 2006)	7,586	-	3,750	96	11,432	8,930
	265,968	**117,350**	**53,750**	**7,235**	**444,303**	**124,473**

Directors' Options

At 31 March 2006 directors' options on ordinary shares of 10p each granted under the Prime People Enterprise Management Incentive Scheme, which following the share consolidation on 3 January 2006 were as follows:

Director	Date Granted	Granted	Exercise Price	Exercise Period
S J Murphy	**16 May 2005**	**184,234**	**57.5p**	**16 May 2007 - 15 May 2015**
C I Heayberd	**16 May 2005**	**184,234**	**57.5p**	**16 May 2007 - 15 May 2015**

Directors options granted under the company's Inland Revenue approved Executive Option Scheme to C I Heayberd totalling 54,724 were surrendered on 16 May 2005.

On behalf of the Board

J H J Lewis
Chairman of the Remuneration Committee

6 June 2006

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

Independent auditors' report to the shareholders of Prime People Plc

We have audited the financial statements of Prime People Plc for the 15 months ended 31 March 2006 on pages 21 to 45. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' 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 opinion we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Directors' Operating and Financial review, Directors' Report, the Corporate Governance Statement and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the group's affairs as at 31 March 2006 and of the group's loss for the period then ended ;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2006 and of the group's loss for the period then ended ;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985.

HORWATH CLARK WHITEHILL LLP
Chartered accountants and registered auditors
Reading
6 June 2006

Consolidated income statement for the 15 months ended 31 March 2006

	Note	2006 £	2004 restated £
Gross fee income	2		
- ongoing		**799,187**	708,653
- acquisition		**4,573,866**	-
- discontinued		**-**	1,585,895
		5,373,053	2,294,548
Direct costs			
- ongoing		**(243,700)**	(179,571)
- acquisition		**(2,012,703)**	-
- discontinued		**-**	(7,240)
		(2,256,403)	(186,811)
Net fee income		**3,116,650**	2,107,737
Administrative expenses			
- ongoing		**(819,675)**	(812,325)
- acquisition		**(1,979,750)**	-
- discontinued		**-**	(1,384,934)
- exceptional item	3	**(185,700)**	-
		(2,985,125)	(2,197,259)
Operating profit /(loss)	4		
- ongoing		**(264,188)**	(283,243)
- acquisition		**581,413**	-
- discontinued		**-**	193,721
- exceptional item		**(185,700)**	-
		131,525	(89,522)
Share of operating (loss)/profit in associate		**(78,756)**	87,133
Amortisation of goodwill		**-**	(12,000)
Impairment loss in associated undertaking		**(155,920)**	-
		(234,676)	75,133
Loss before interest		**(103,151)**	(14,389)
Profit on disposal of subsidiary		**-**	609,844
Interest receivable and similar income		**134,253**	79,530
Interest payable and similar charges	7	**(42,109)**	(487)
(Loss)/profit before taxation		**(11,007)**	674,498
Taxation	8	**(15,510)**	(2,112)
Profit after tax for continuing activities		**52,239**	585,253
Share of (loss)/profit after tax in associate		**(78,756)**	87,133
(Loss)/profit for the period attributable to equity`shareholders		**(26,517)**	672,386
(Loss)/earnings per share	10		
- Basic		**(0.52p)**	18.25p
- Diluted		**(0.52p)**	17.65p
- Continuing basic		**6.69p**	(4.50p)
- Continuing diluted		**6.09p**	(4.50p)

All recognised gains and losses are included in the profit and loss account.
The notes on pages 26 to 45 form part of these financial statements

Consolidated statement of changes in shareholders' equity at 31 March 2006

	Called up Share capital £	Shares to be issued £	Share premium account £	Other reserve £	Retained earnings £	Total £
At 1 January 2004	**368,467**	**-**	**909,925**	**173,077**	**575,476**	**2,026,945**
Profit for the year	-	-	-	-	672,386	672,386
Goodwill eliminated on disposal of subsidiary	-	-	-	-	641,006	641,006
At 31 December 2004	**368,467**	**-**	**909,925**	**173,077**	**1,888,868**	**3,340,337**
New shares issued	715,559	-	5,304,441	-	-	6,020,000
Consideration shares to be issued	-	1,000,000	-	-	-	1,000,000
Equity dividends (note 9)	-	-	-	-	(46,090)	(46,090)
Loss for the year	-	-	-	-	(26,517)	(26,517)
At 31 March 2006	**1,084,026**	**1,000,000**	**6,214,366**	**173,077**	**1,816,261**	**10,287,730**

The notes on pages 26 to 45 form part of these financial statements

Consolidated balance sheet at 31 March 2006

	Note	2006 £	2004 restated £
Assets			
Non-current assets			
Goodwill	11	**9,769,229**	-
Property, plant and equipment	12	**259,861**	44,028
Investment in associate	13	**-**	411,676
Deferred tax asset	14	**74,669**	-
		10,103,759	455,704
Current assets			
Investment held for sale	13	**177,000**	-
Trade and other receivables	15	**3,332,890**	262,052
Cash and cash equivalents	16	**317,877**	2,835,981
		3,827,767	3,098,033
Total assets		**13,931,526**	3,553,737
Liabilities			
Current liabilities			
Financial liabilities - borrowings	16	**445,001**	23,297
Trade and other payables	17	**1,771,922**	177,598
Current tax liabilities		**303,749**	8
		2,520,672	200,903
Non-current liabilities			
Financial liabilities - borrowings	16	**1,123,124**	12,497
		1,123,124	12,497
Total liabilities		**3,643,796**	213,400
Net assets		**10,287,730**	3,340,337
Capital and reserves			
Called up share capital	18	**1,084,026**	368,467
Share premium account		**6,214,366**	909,925
Other reserve		**173,077**	173,077
Consideration shares to be issued		**1,000,000**	-
Retained earnings		**1,816,261**	1,888,868
Equity shareholders' funds		**10,287,730**	3,340,337

The financial statements were approved by the Board on 6 June 2006

R J G Macdonald C I Heayberd

The notes on pages 26 to 45 form part of these financial statements

Company balance sheet at 31 March 2006

	Note	2006 £	2004 restated £
Assets			
Non-current assets			
Investment in subsidiaries	13	**10,975,997**	266,503
Property, plant and equipment	12	**6,260**	9,940
Deferred tax asset	14	**66,194**	-
		11,048,451	276,443
Current assets			
Investment held for sale	13	**166,500**	-
Trade and other receivables	15	**112,434**	138,653
Cash and cash equivalents		**-**	2,835,581
		278,934	2,974,234
Total assets		**11,327,385**	3,250,677
Liabilities			
Current liabilities			
Financial liabilities - borrowings		**300,271**	14,947
Other creditors	17	**78,048**	88,841
		378,319	103,788
Non-current liabilities			
Financial liabilities - borrowings		**1,120,000**	-
Total liabilities		**1,498,319**	103,788
Net assets		**9,829,066**	3,146,889
Capital and reserves			
Called up share capital	19	**1,084,026**	368,467
Share premium account	19	**6,214,366**	909,925
Other reserve	19	**173,077**	173,077
Shares to be issued	19	**1,000,000**	-
Retained earnings	19	**1,357,597**	1,695,420
Equity shareholders' funds		**9,829,066**	3,146,889

The financial statements were approved by the Board on 6 June 2006

R J G Macdonald C I Heayberd

The notes on pages 26 to 45 form part of these financial statements

Consolidated cash flow statement for the 15 months ended 31 March 2006

	Note	2006 £	2004 restated £
Cash flows from operating activities			
Cash generated by operations	21	**154,792**	(93,986)
Taxation received		**4,815**	74,350
Corporation tax paid		**(589,679)**	-
Net cash used in operating activities		**(430,072)**	(19,636)
Cash flows from investing activities			
Interest received		**134,253**	79,530
Interest paid		**(42,109)**	(487)
Purchase of subsidiary undertaking	23	**(9,875,994)**	-
Net cash acquired with business		**202,368**	-
Proceeds from sale of subsidiary undertaking		-	1,905,284
Net cash disposed with subsidiary		**-**	(53,986)
Net purchase of property, plant and equipment		**(12,791)**	(35,792)
Net cash (from)/used in investing activities		**(9,594,273)**	1,894,549
Cash flows from financing activities			
Issue of ordinary share capital		**6,020,000**	-
New bank loan		**1,400,000**	-
Capital element of hire purchase obligations		**(9,373)**	(2,501)
Dividend paid to shareholders		**(46,090)**	-
Net cash used in/(from) financing activities		**7,364,537**	(2,501)
Net (decrease)/increase in cash and cash equivalents		**(2,659,808)**	1,872,412
Cash and cash equivalents at 1 January 2005		**2,820,182**	947,770
Cash and cash equivalents at 31 March	22	**160,374**	2,820,182

The notes on pages 26 to 45 form part of these financial statements

Notes forming part of the financial statements for the 15 months ended 31 March 2006

1 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are outlined below.

Basis of preparation

These financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations applicable at the balance sheet date, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. These financial statements have been prepared under the historical cost convention. The Group is required to provide comparative information for the prior reporting period.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS did not require the company to change accounting policies resulting in a change in the value of the figures reported in the accounts. The only changes identified under IFRS have been in the presentation of the figures.

The group used the equity accounting method to include the group's share of operating profit and corporation tax charge, for its associated undertaking. In the current period the associated undertaking has been written down to its fair value.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings, and exclude all intra-Group transactions and balances. The results and the net assets of subsidiary undertakings acquired are consolidated from the date on which control is passed to the Group using the purchase method of accounting.

Business acquisitions
The cost of an acquisition is measured as the fair value, taking into account any contingent or deferred elements of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business acquisition are measured initially at their fair values at the acquisition date. 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.

Intangible assets
The Group has elected not to restate business acquisitions that occurred prior to the date of transition to the IFRS. IFRS 3 "Business Combinations", IAS 38 "Intangible Assets" and IAS 36 "Impairment of Assets" have not been applied to combinations prior to 1 January 2004.

Goodwill
The Group has elected not to apply IFRS 3 "Business Combinations" retrospectively for those business combinations, which occurred prior to 1 January 2004. Accordingly the balance of goodwill under UK GAAP as at 31 December 2003 is deemed the IFRS cost of goodwill as at 1 January 2004. For business combinations on or after 1 January 2004, the Group has adopted IFRS 3. Goodwill arising represents any excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired. Goodwill is not subject to amortisation but is, instead, tested annually for impairment and is carried at cost less accumulated impairment losses.

Investments
Fixed asset investments are carried at cost less any provision for impairment.

Notes forming part of the financial statements for the 15 months ended 31 March 2006

1 Accounting policies *(continued)*

Gross fee income, accrued income and deferred income

Gross fee income represents the amounts (excluding value added tax) derived from the provision of services to third party clients during the period.

Recruitment:
Permanent assignments - A fee is due by reference to the date an applicant accepts an offer of employment and gross fee income is recognised on this basis. Accrued income represents income receivable from placements made in the year where the candidates commenced employment after the balance sheet date.
Temporary assignments - Gross fee income is recognised when the service has been provided.

Training:
Fees are accounted for by reference to the date training courses are held. Deferred income arises where training courses have been invoiced but not held by the balance sheet date.

Depreciation

Depreciation is provided to write off the cost, less estimated residual value, of all property, plant and equipment by equal installments over their expected useful lives. It is calculated using the following rates:

Fixtures, fittings and equipment	-	20% to 33% per annum
Motor vehicles	-	20% to 33% per annum

Leasing

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Share based payments
The fair value of share options granted to directors and employees is determined on the basis of an option-pricing model and expensed on a straight line basis over their vesting period. Further details are given in note 18.

Notes forming part of the financial statements for the 15 months ended 31 March 2006

2 Segmental information

Geographical location of gross fee income by destination:

	Ongoing 2006 £	Ongoing 2004 £	Discontinued 2006 £	Discontinued 2004 £	Total 2006 £	Total 2004 £
United Kingdom	**5,179,010**	708,653	**-**	1,356,460	**5,179,010**	2,065,113
Rest of the World	**194,043**	-	**-**	229,435	**194,043**	229,435
	5,373,053	708,653	**-**	1,585,895	**5,373,053**	2,294,548

All of the group's gross fee income, profit and net assets originate in the United Kingdom.

The tables below analyse gross fee income, (loss)/profit on ordinary activities before taxation, net assets of the group and other information.

i) Gross fee income and (loss)/profit before taxation by class of business:

	Gross fee income 2006 £	Gross fee income 2004 restated £	Pre-tax (loss)/profit 2006 £	Pre-tax (loss)/profit 2004 restated £
Ongoing operations:				
Recruitment - property	**4,607,920**	-	**563,315**	-
Training	**765,133**	708,653	**29,673**	17,101
Head office costs	**-**	-	**(369,319)**	(222,663)
Share of operating (loss)/profit in associates	-	-	**(78,756)**	75,133
Impairment loss in associate undertaking	**-**	-	**(155,920)**	-
	5,373,053	708,653	**(11,007)**	(130,429)
Discontinued operations:				
Recruitment - hospitality	**-**	1,585,895	**-**	195,083
Profit on disposal of subsidiary	**-**	-	**-**	609,844
	5,373,053	2,294,548	**(11,007)**	674,498

Notes forming part of the financial statements for the 15 months ended 31 March 2006

2 Segmental information (Continued)

ii) Net assets by class of business:

	Total 2006 £	Total 2004 restated £
Non -current assets		
Recruitment	**231,205**	-
Training	**22,396**	34,088
Associate	**-**	411,676
Central	**9,850,158**	9,940
	10,103,759	455,704
Current assets		
Recruitment	**3,440,411**	-
Training	**169,721**	176,738
Investment held for resale	**177,000**	-
Central	**40,635**	2,921,295
	3,827,767	3,098,033
Total assets	**13,931,526**	3,553,737
Current liabilities		
Recruitment	**2,050,296**	-
Training	**108,770**	97,115
Central	**361,606**	103,788
	2,520,672	200,903
Non-current liabilities		
Recruitment	**-**	-
Training	**3,124**	12,497
Central	**1,120,000**	-
	1,123,124	12,497
Total liabilities	**3,643,796**	213,400
Net assets	**10,287,730**	3,340,337

Notes forming part of the financial statements for the 15 months ended 31 March 2006

2 Segmental information (Continued)

iii) Other information by class of business:

	Total 2006 £	Total 2004 restated £
Capital Expenditure		
Ongoing operations:		
Recruitment - property	**9,916**	-
Training	**1,760**	9,041
Central	**2,014**	10,583
	13,690	19,624
Discontinued operations:		
Recruitment - hospitality	**-**	17,968
	13,690	37,592
Depreciation		
Ongoing operations:		
Recruitment - property	**19,970**	-
Training	**13,452**	9,416
Central	**4,705**	1,773
	38,127	11,189
Discontinued operations:		
Recruitment - hospitality	**-**	22,595
	38,127	33,784

3 Exceptional items

The income statement has been charged with £185,700 of exceptional costs which relate to restructuring and integration arising from the acquisition of Macdonald & Company Group Limited on 3 January 2006.

Notes forming part of the financial statements for the 15 months ended 31 March 2006

4 Operating profit/(loss)

		2006 £	2004 restated £
This is arrived at after charging/(crediting):			
Auditors' remuneration	- audit services - group	**42,700**	21,549
	- non-audit services	**-**	7,000
Depreciation	- leased assets	**5,523**	1,840
	- owned assets	**32,604**	31,944
Operating lease rentals	- land and buildings	**60,435**	-
	- other operating leases	**7,861**	10,027
Loss/(profit) on disposal of fixed assets		**90**	(1,800)

The company audit fee was £16,000 (2004 - £9,905).

Amounts payable to the auditors and their associates by the Company in respect of non-audit services of £65,274 have been included within cost of investments and relate to fees for work undertaken in relation to the acquisition of Macdonald & Company Group Limited.

5 Directors and key management

	2006 £	2004 £
Directors' and key management remuneration consists of:		
Fees and emoluments for management services	**390,553**	119,273
Compensation for loss of office	**53,750**	-
Payments to defined contribution pension scheme	-	5,200
	444,303	124,473
Highest paid director:		
Emoluments	**165,626**	86,543
Compensation for loss of office	**50,000**	-
	215,626	86,543

Further details of directors' remuneration are shown in the Remuneration Report on pages 17 to 19.

Notes forming part of the financial statements for the 15 months ended 31 March 2006

6 Staff costs including (directors)

	2006 Number	2004 Number
The average monthly number of employees of the group during the period, including directors, was as follows:		
Consultants	**17**	21
Management and administration	**8**	13
	25	34

The average numbers apply to Prime People Plc for the fifteen months to 31 March 2006 but, in accordance with IFRS, only include the three month average for Macdonald & Company Group Limited since the date of acquisition on 3 January 2006. At the 31 March 2006 the number of employees, including directors, was 89.

Staff costs for all employees, including directors, but excluding temporary staff placed with clients consists of:

	2006 £	2004 £
Wages and salaries	**1,755,943**	1,465,292
Social security costs	**420,424**	157,470
Pension costs	**2,600**	5,800
	2,178,967	1,628,562

7 Interest payable and similar charges

	2006 £	2004 £
Bank interest	**40,279**	-
Finance charges payable in respect of hire purchase agreements	**1,830**	487
	42,109	487

Notes forming part of the financial statements for the 15 months ended 31 March 2006

8 Taxation

	2006 £	2004 £
UK Corporation tax	103,239	2,112
Deferred tax	(87,729)	-
	15,510	2,112

The tax assessed for the year is higher than that obtained by applying the standard rate of corporation tax in the UK. The differences are explained below:

	2006 £	2004 £
(Loss)/profit before taxation	(11,007)	674,498
UK corporation tax at the standard rate of 30% on (loss)/profit on ordinary activities	(3,302)	202,349
Effects:		
Expenses not deductible for tax purposes - including goodwill	12,993	225,920
Capital allowances for the period less than/(in excess of) depreciation	4,719	(2,956)
Losses created in the year	42,757	24,609
Tax rate differences	(5,948)	(3,933)
Overprovision in prior years	(18,383)	-
Share of associate's losses/(profits) created in the period	23,627	(22,540)
Impairment loss in associate undertaking	46,776	-
Profit on disposal of subsidiary not taxable - due to substantial shareholdings exemption	-	(405,691)
Utilisation of losses brought forward	-	(15,646)
	103,239	2,112

9 Dividends

	2006 £	2004 £
Interim dividend for 2006: 1.25p per share (post consolidation)	**46,090**	-

The directors propose a final dividend in respect of the 15 month period ending 31 March 2006 of 1.00p per share which will be paid on 5 July 2006 to shareholders who are on the register on 16 June 2006.

Notes forming part of the financial statements for the 15 months ended 31 March 2006

10 Earnings per share

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

Earnings and weighted average number of shares used in the calculations are shown below.

	2006 £	2004 restated £
Retained (loss)/profit for basic (loss)/earnings per share	(26,517)	672,386
Tax on (loss)/ profit	15,510	2,112
Exceptional item	185,700	-
Loss/(profit) arising from associate undertaking	234,676	(75,133)
Operating profit from discontinued business	-	(193,721)
Profit on disposal of subsidiary	-	(609,844)
Profit before tax, exceptional items	409,369	(204,200)
Taxation	(71,220)	38,564
Adjusted retained profit/(loss) for adjusted earnings per share	338,149	(165,636)

	Number	Number
Weighted average number of shares used for basic and continuing earnings per share	5,052,844	3,684,670
Dilutive effect of share options and shares to be issued	257,522	124,126
Diluted weighted average number of shares used for diluted earnings per share	5,310,366	3,808,796

The weighted average number of shares in 2004 has been calculated as if the consolidation of every 10 issued ordinary shares of 1p each into one new ordinary share of 10p each had taken place at the beginning of the year.

	Pence	Pence
Basic earnings per share	(0.52p)	18.25p
Diluted earnings per share	(0.52p)	17.65p
Continuing basic earnings per share	6.69p	(4.5p)
Continuing diluted earnings per share	6.09p	(4.5p)

The continuing earnings per share is calculated after excluding discontinued operations, associated undertakings and exceptional costs.

Discontinued basic earnings per share	-	22.75p
Discontinued diluted earnings per share	-	22.15p

Notes forming part of the financial statements for the 15 months ended 31 March 2006

11 Goodwill

	Goodwill £
At 1 January 2005	-
Additions (see note 23)	9,769,229
At 31 March 2006	9,769,229

On the acquisition of Macdonald & Co Group Limited it has been considered if any identifiable intangible assets were included as part of the purchase but none have been identified, the excess of consideration over the fair value of the net assets has therefore been recognised as goodwill.

The acquired goodwill was tested for impairment in accordance with IAS36. All of the recoverable amounts were based on value in use. The key assumptions in the value in use calculations were based on the performance of the business in the current period measured against the budgeted performance and the projected results for the next 12 months.

12 Property, plant and equipment

Group	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost			
At 1 January 2005	87,796	22,075	109,871
Additions	13,690	-	13,690
Disposals	(3,107)	-	(3,107)
Acquisition of subsidiary	386,106	-	386,106
At 31 March 2006	484,485	22,075	506,560
Depreciation			
At 1 January 2005	64,000	1,843	65,843
Provision for the period	32,604	5,523	38,127
Disposals	(2,118)	-	(2,118)
Acquisition of subsidiary	144,847	-	144,847
At 31 March 2006	239,333	7,366	246,699
Net book value			
At 31 March 2006	245,152	14,709	259,861
At 31 December 2004	23,796	20,232	44,028

The net book value of motor vehicles held under hire purchase agreements includes an amount of £14,709 (2004 - £20,232).

Notes forming part of the financial statements for the 15 months ended 31 March 2006

12 Property, plant and equipment (continued)

Company	Fixtures, fittings and equipment £
Cost	
At 1 January 2005	32,567
Additions	2,014
Disposals	(3,107)
At 31 March 2006	31,474
Depreciation	
At 1 January 2005	22,627
Provision for the period	4,705
Disposals	(2,118)
At 31 March 2006	25,214
Net book value	
At 31 March 2006	6,260
At 31 December 2004	9,940

13 Non current asset investments

Group	Country of Incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Investment held for sale (2004 - Associated company)			
Cameron Kennedy Resources Limited	England and Wales	44.66%	Recruitment consultants

The group's share of the associates results, assets and liabilities is set out below:

	2006 £	2004 £
Turnover	4,066,485	3,156,293
(Loss)/profit before tax	(78,756)	87,133
Taxation	-	-
(Loss)/profit after tax	(78,756)	87,133
Fixed assets	40,954	13,382
Current assets	558,678	594,899
Liabilities due within one year	(314,708)	(244,600)

At 31 March 2006 the associate has net assets of £638,014 (2004 - £814,371) and a retained (loss)/profit for the 15 month period of £(176,357) (2004 - £195,113).

Notes forming part of the financial statements for the 15 months ended 31 March 2006

13 Non current asset investments (continued)

	2006 £	2006 £	2004 £	2004 £
44.66 % (2004 - 44.66%) of net assets of associate		284,920		363,676
Goodwill arising on acquisition	120,000		120,000	
Amortisation charged to date	(72,000)		(72,000)	
		48,000		48,000
Less:				
Impairment loss in associate undertaking		(155,920)		-
		177,000		411,676

	£
Interest in associate at 1 January 2005	411,676
Share of associate's pre-tax loss	(78,756)
Share of tax	-
Impairment loss in associate undertaking (see note 25)	(155,920)
Interest in investment held for sale at 31 March 2006	177,000

On 28 April 2006 the company sold its entire interest in Cameron Kennedy Resources Limited for a cash consideration of £180,000. As a consequence the company which was previously included as an associate business using the equity method of accounting has been written down to its fair value which is in line with the net proceeds of £180,000 less estimated costs.

Company	Investment held for sale £	Shares in subsidiary undertakings £	Total £
Cost			
At 1 January 2005	166,500	263,121	429,621
Acquisitions	-	10,875,994	10,875,994
At 31 March 2006	**166,500**	**11,139,115**	**11,305,615**
Amounts provided			
At 1 January 2005 and at 31 March 2006	-	**163,118**	**163,118**
Net book value			
At 31 March 2006	**166,500**	**10,975,997**	**11,142,497**
At 31 December 2004	166,500	100,003	266,503

13 Non current asset investments (continued)

Notes forming part of the financial statements for the 15 months ended 31 March 2006

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

	Country of incorporation	voting rights and ordinary share capital held	Nature of business
Subsidiary undertakings			
Macdonald & Company Group Limited	England and Wales	100%	Holding company
Macdonald & Company Property Limited	England and Wales	100%	Recruitment
Macdonald and Company Freelance Limited	England and Wales	100%	Recruitment
Macdonald & Company (Overseas) Limited	England and Wales	100%	Dormant
Propertyjobs.com Limited	England and Wales	100%	Dormant
Macdonald & Company Pty Ltd	Australia	100%	Dormant
Harper Craven Associates Limited	England and Wales	100%	Management training

For all undertakings listed above, the country of operation is the same as its country of incorporation.

14 Deferred tax asset

Group	2006 £	2004 £
Depreciation exceeds capital allowances	8,475	
Losses	66,194	-
	74,669	-

In 2004 there was a deferred tax asset of £27,194 which was not taken into the group accounts.

Company	2006 £	2004 £
Losses	66,194	-
	66,194	-

In 2004 there was a deferred tax asset of £24,609 which was not taken into the company accounts

Notes forming part of the financial statements for the 15 months ended 31 March 2006

15 Trade and other receivables

	Group 2006 £	Group 2004 £	Company 2006 £	Company 2004 £
Amounts receivable within one year				
Trade debtors	**1,669,823**	65,527	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**71,799**	52,939
Other debtors	**149,700**	38,564	**27,465**	38,564
Prepayments and accrued income	**1,513,367**	157,961	**13,170**	47,150
	3,332,890	262,052	**112,434**	138,653

Included in prepayments and accrued income are capitalised costs of £9,405 (2004: £Nil) which relate to the arrangement of the Bank Loan taken out to fund the acquisition of Macdonald Group & Company Group Limited and which are being written off over the term of the loan.

16 Financial Instruments

		2006 £	2004 £
Financial assets			
Current assets			
Investment held for sale	13	**177,000**	-
Trade and other receivables	15	**3,332,890**	262,052
Cash and cash equivalents		**317,877**	2,835,981
Sterling		**3,827,767**	3,098,033

Cash is held either on current account or on short term deposits at floating rates of interest (4%) determined by the relevant bank's prevailing base rate.

To date, the group's currency exposure is limited and it has not been necessary to use any derivative financial instruments to manage this exposure. Any resulting gains or losses are recognised in the profit and loss account.

	2006 £	2004 £
Financial liabilities		
Current		
Bank loan (Secured)	**280,000**	15,799
Bank overdraft	**24,655**	-
Confidential invoice discounting	**132,848**	-
Hire purchase obligations	**7,498**	7,498
	445,001	23,297
Non-current		
Bank loan (Secured)	**1,120,000**	-
Hire purchase obligations	**3,124**	12,497
	1,123,124	12,497

Notes forming part of the financial statements for the 15 months ended 31 March 2006

16 Financial Instruments (continued)

The maturity of these obligations is as follows:

	2006 £	2004 £
In one year or less	**446,464**	24,760
In more than one year but less than two years	**283,757**	8,961
In more than two years but not more than five years	**840,000**	5,998
	1,570,221	39,719
Less: future finance charges	**(2,096)**	(3,925)
	1,568,125	35,794

The group's financial liabilities consist of a bank overdraft, a confidential invoicing arrangement, a bank loan and hire purchase agreements, all denominated in sterling.

Bank overdraft and confidential invoice discounting

The group has committed borrowing facilities which are renewed annually. The maximum facilities available including the confidential invoice discounting facility is £1,000,000 (2004 - £Nil). The Group's overdraft and confidential invoicing arrangements have interest rates ranging from 1.75% to 2%.

Bank loan

On 3 January 2006 the company entered into a loan agreement with Barclays Bank Plc to part fund the acquisition of Macdonald & Company Group Limited. Loan repayments commence in April 2006 in 20 equal quarterly installments with the final repayment due in January 2011. Interest on the loan is payable at 1.75% over bank base rate. The loan is secured by a fixed and floating charge over all the assets of Prime People Plc and its subsidiary companies but does not take precedent over the fixed and floating charge held by Royal Bank of Scotland Commercial Services Limited in Macdonald & Company Group Limited, Macdonald & Company Property Limited and Macdonald and Company Freelance Limited held in connection with a confidential invoicing arrangement.

Hire purchase

Hire purchase liabilities are secured on the assets to which they relate. Hire purchase agreements are subject to fixed rates of interest (6%) determined by the lender at the inception of the agreement.

There is no material difference between the book values of the group's financial assets and liabilities and their fair values.

The group does not hold any derivative financial instruments.

Notes forming part of the financial statements for the 15 months ended 31 March 2006

17 Trade and other payables - current

	Group 2006 £	Group 2004 restated £	Company 2006 £	Company 2004 restated £
Trade creditors	**279,959**	6,385	**1,212**	362
Other creditors	**20,048**	773	-	568
Taxation and social security	**631,161**	25,920	**5,211**	3,487
Accruals and deferred income	**840,754**	144,520	**54,916**	84,424
Amounts due to subsidiary undertakings	-	-	**16,709**	-
	1,771,922	177,598	**78,048**	88,841

18 Share capital

	31 March 2006		31 December 2004	
	Number	£	Number	£
AUTHORISED				
New ordinary shares of 10p each	**16,000,000**	**1,600,000**	-	-
Ordinary shares of 1p each	-	-	80,000,000	800,000
	16,000,000	**1,600,000**	80,000,000	800,000
ALLOTTED, CALLED UP AND FULLY PAID				
New ordinary shares of 10p each				
At beginning of period	-	-	-	-
Share consolidation (see below)	3,684,670	368,467	-	-
Shares issued	7,155,593	715,559	-	-
At end of period	**10,840,263**	**1,084,026**	-	-
Ordinary shares of 1p each				
At beginning of period	36,846,692	368,467	36,346,692	363,467
Share consolidation	(36,846,692)	(368,467)		
Shares issued	-	-	500,000	5,000
	-	-	36,846,692	368,467

On 3 January 2006 the shareholders of the company approved the reorganisation of the share capital of the company by the consolidation of every 10 issued ordinary shares of 1p each into one New ordinary share of 10p each.

Related to the acquisition of Macdonald & Co Group Limited on 3rd January 2006 the company issued 7,155,593 ordinary shares with an aggregate nominal value of £715,559 for a total consideration of £6,020,000.

Notes forming part of the financial statements for the 15 months ended 31 March 2006

18 Share capital (continued)

Employee share schemes

The company operates two share options schemes, an Employee Management Incentive Scheme and a HM Revenue & Customs approved scheme.

Enterprise Management Incentive Scheme (EMI)

The company established an Enterprise Management Incentive Scheme on 16 May 2005.

A total of 3,684,670 options over ordinary shares of 1p each amended to 368,467 ordinary shares of 10p each to reflect the 1 for 10 share consolidation have been granted in the period.

The options are exercisable after 16 May 2007 at an exercise price of 57.5p which was amended from 5.75p to reflect the 1 for 10 share consolidation.

The option price of 5.75p was derived by reference to the London Stock Exchange's Daily Official List by taking the average of the last three days' closing price.

Details are as follows:

Year of grant	Exercise Price Pence	Exercise Period	Issued 31 March 2006	Number of options
2006	57.5	2007 - 2015	368,467	368,467

The performance condition which gives the option holders the right to exercise their options under the EMI has been achieved. These options have been valued using the Black-Scholes option pricing model with the following assumptions: Volatility 50%, Expected Life 2 years, Risk Free Rate 4.5%

2001 Employee Share Option Scheme

Details in respect of the share options held under the HM Revenue & Customs approved scheme are as follows:

Year of grant	Exercise Price Pence	Exercise Period	Number of options 31 December 2004	Lapsed	Surrendered	Number of options 31 March 2006
2002	6.333	2005 - 2012	496,055	(354,325)	(141,730)	-
2003	4.833	2006 - 2013	500,000	(250,000)	(250,000)	-
2004	5.75	2007 - 2014	311,016	(155,508)	(155,508)	-
			1,307,071	(759,833)	(547,238)	-

Notes forming part of the financial statements for the 15 months ended 31 March 2006

19 Statement of changes in equity

Company	Called up Share capital £	Shares to be issued £	Share premium account £	Other reserve £	Retained earnings £	Total £
At 1 January 2005	368,467	-	909,925	173,077	1,695,420	3,146,889
Retained loss for the year	-	-	-	-	(337,823)	(337,823)
New share capital issued	715,559	-	5,304,441	-	-	6,020,000
Consideration shares to be issued	-	1,000,000	-	-	-	1,000,000
At 31 March 2006	**1,084,026**	**1,000,000**	**6,214,366**	**173,077**	**1,357,597**	**9,829,066**

The company has taken advantage of the exemption conferred by Section 230(3) of the Companies Act 1985 not to present its own profit and loss account. The amount of consolidated loss after tax and before dividends dealt with in the financial statements of the parent is £291,733 (2004 - profit £1,170,921).

20 Commitments

As at 31 March 2006 the group was committed to making the following total payments in respect of operating leases:

Group	2006 Land and buildings £	2006 Other £	2004 Land and buildings £	2004 Other restated £
Non-cancellable operating leases which expire:				
Within one year	-	-	-	4,188
In two to five years	-	15,717	-	-
After five years	1,377,426	7,606	-	-
	1,377,426	23,323	-	4,188

The company does not hold non-cancellable operating lease agreements.

Notes forming part of the financial statements for the 15 months ended 31 March 2006

21 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	Ongoing 2006 £	Ongoing 2004 £	Discontinued 2006 £	Discontinued 2004 £	Total 2006 £	Total 2004 £
Group operating profit/(loss)	**131,525**	(283,243)	-	193,721	**131,525**	(89,522)
Depreciation	**38,127**	11,189	-	22,595	**38,127**	33,784
Loss/(profit) on sale of tangible fixed assets	**90**	(1,800)	-	-	**90**	(1,800)
Increase in debtors	**(205,943)**	(41,329)	-	(114,232)	**(205,943)**	(155,561)
Increase/(decrease) in creditors	**190,993**	193,676	-	(74,563)	**190,993**	119,113
Net cash inflow/(outflow) from operating activities	**154,792**	(121,507)	-	27,521	**154,792**	(93,986)

22 Analysis of net funds/(debt)

	At 1 January 2005 £	Cash flow £	At 31 March 2006 £
Cash at bank and in hand	2,835,981	(2,518,104)	**317,877**
Bank overdraft	(15,799)	(141,704)	**(157,503)**
	2,820,182	(2,659,808)	**160,374**
Bank loans due within one year	-	(280,000)	**(280,000)**
Bank loans due after one year	-	(1,120,000)	**(1,120,000)**
Hire purchase obligations	(19,995)	9,373	**(10,622)**
Total funds/(debt)	2,800,187	(4,050,435)	**(1,250,248)**

23 Acquisition of subsidiary

On 3 January 2006 the company contracted to acquire 100% of the issued share capital of Macdonald & Company Group Limited and its subsidiaries, trading as 'Macdonald' for an aggregate consideration of £10.52million.

The initial consideration of £9.52 million payable as to £3.5 million in cash and £6.02 million by the issue and allotment of New ordinary shares (at a price of 84.13p (fair value based on market price)) was satisfied on 4 January 2006.

The deferred consideration of up to £1 million will be payable by the issue and allotment of New ordinary shares (at a price of 84.13p) following the announcement of the group's results for the period ending 31 March 2006 and is dependant upon Macdonald & Company Group Limited achieving an operating profit of £1.95 million for the year ending 31 March 2006 which it has achieved.

Notes forming part of the financial statements for the 15 months ended 31 March 2006

23 Acquisition of subsidiary (continued)

All shares issued as consideration rank pari passu with the New ordinary shares already in issue which includes the right to receive the final dividend payable on 5 July 2006.

	£
Net assets acquired at fair value:	
Tangible fixed assets	241,259
Debtors and prepayments	2,864,895
Cash at bank and in hand	427,659
Creditors and accruals	(2,188,698)
Bank overdraft	(225,290)
Deferred tax	(13,060)
Goodwill (see note 11)	9,769,229
Consideration given	10,875,994
Satisfied by:	
Cash	3,500,000
Issue of new ordinary shares:	
Initial consideration	6,020,000
Deferred consideration	1,000,000
Costs of acquisition	355,994
	10,875,994

24 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 Company also provides corporate guarantees on the subsidiary bank accounts. The total amount charged by the company to its subsidiaries during the period is £113,440 (2004: £53,000). The balance owed by the subsidiary undertakings at the period end is £55,090 (2004: £52,939)

25 Post Balance Sheet Events

On 28 April 2006 the company sold its entire holding in Cameron Kennedy Resources Limited for a cash consideration of £180,000.

As a consequence the company which was previously included as an associated undertaking using the equity method of accounting has been written down to its net realisable value.

26 First Time adoption of IFRS

The Company reported under UK GAAP in its previously published financial statements for the year ended 31 December 2004. The transition to IFRS is accounted for in accordance with IFRS1, 'First-time adoption of International Financial Reporting Standards' with 1 January 2004 as the date of transition.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS did not require the company to change accounting policies resulting in a change in the value of the figures reported in the accounts. The only changes identified under IFRS have been in the presentation of the figures.

Notice of Annual General Meeting

Notice is hereby given that the twenty-second Annual General Meeting of Prime People Plc will be held at 40 Dover Street, Mayfair, London W1S 4NW on 4 July 2006 at 11.00am for the following purposes:

Ordinary Business:

1. To receive the Company's financial statements for the 15 months ended 31 March 2006 together with the reports of the directors and auditors thereon.
2. To approve the Directors' recommendation that a final dividend of 1p per share be declared on the ordinary shares of the company
3. To approve the Remuneration Report
4. To elect Mr R J G Macdonald as a director.
5. To elect Mr P H Moore as a director
6. To elect Mr J H J Lewis as a director
7. To elect Mr S J Murphy as a director
8. To appoint Horwath Clark Whitehill LLP as auditors for the ensuing year.
9. To authorise the directors to determine the remuneration of the auditors.

Special Business:

10. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
    That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ('the Act') to exercise all powers of the Company to allot relevant securities (as defined in sub-section (2) of the said Section 80) up to an aggregate nominal amount of £361,338 provided that this authority shall expire at the conclusion of the Annual General Meeting to be held in 2007 or 15 months after the passing of the resolution (whichever is the earlier) save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
11. To consider and, if thought fit, to pass the following resolution as a special resolution:
    That pursuant to Section 95 of the Act the Directors be and are hereby empowered to allot equity securities (as defined by Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 10 above as if Section 89(1) of the Act did not apply to such allotment provided that this power shall be limited:
    a) to the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of the holders of equity securities in proportion to their respective holdings of such securities but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas holders, fractional entitlements or otherwise; and
    b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £54,201
12. To consider, and if thought fit, to pass the following resolution as a special resolution:
    That the Company be and is hereby generally and unconditionally authorised to make market purchases (as defined in Section 163(3) of the Act of New ordinary shares of 10p each in the issued capital of the Company ("New ordinary shares") subject to the following conditions:
    a) the maximum number of New ordinary shares which may be purchased is 1,084,026 (representing approximately 10 per cent of the issued New ordinary share capital);
    b) the maximum price at which an New ordinary share may be purchased is an amount equal to 105% of the aver age of the middle market quotations for such shares as derived from The Daily Official List of The London Stock Exchange for the five business days immediately preceding the date of purchase and the minimum price is 10p per New ordinary share, in both cases exclusive of expenses; and
    c) the authority conferred by this Resolution shall expire at the conclusion of the next annual general meeting of the Company provided that any contract for the purchase of New ordinary shares permitted by this Resolution which has been concluded before the expiry of this authority may be executed wholly or partly after the authority expires.

Registered Office
40a Dover Street
London
W1S 4NW

By order of the Board
C I Heayberd
Secretary
6th June 2006

Notes:

i. Any Member having the right to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. To be effective, the form of proxy and any power of attorney or other authority under which it is executed or a notarially certified or office copy of such power or authority must be lodged with the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, not less than 48 hours before the time appointed for the meeting.

ii. In the case of a corporation, the form of proxy should be under its common seal, or under the hand of an officer of the corporation duly authorised in that behalf.

iii. Directors' service contracts together with a copy of the Rules to the company's Inland Revenue Approved Employee Enterprise Management Incentive Scheme and the minutes of the previous Annual General Meeting will be available for inspection 15 minutes prior to the commencement of the Meeting.

Form of Proxy

For use at the Annual General Meeting convened for 11.00am on Tuesday 4 July 2006

I/We____

Of ____

being (a) member(s) of the above-named Company, hereby appoint the Chairman for the time being of the meeting or*__________________________

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on________________________and at any adjournment thereof.
I/We direct my/our proxy to vote on the resolutions set out in the notice convening the Annual General

Meeting as follows:

ORDINARY BUSINESS	FOR	AGAINST
1. To approve the Company's financial statements for the 15 months ended 31 March 2006 together with the reports of the directors and auditors thereon.		
2. To approve the final dividend of 1p per New ordinary share		
3. To approve the Remuneration Report.		
4. To elect Mr R J G Macdonald as a director.		
5. To elect Mr P H Moore as a director		
6. To elect Mr J H J Lewis as a director		
7. To elect Mr S J Murphy as a director		
8. To appoint Horwath Clark Whitehill LLP as auditors for the ensuing year.		
9. To authorise the directors to determine the remuneration of the auditors.		
SPECIAL BUSINESS		
10. To authorise the directors to issue new shares.		
11. To empower the directors to allot shares for cash.		
12. To authorise the directors to make market purchases of its own shares.		

Signed this ____________________ day of ____________________ 2006

Signature ____

Notes:

1. Please indicate how you wish to vote by marking an X opposite the resolution.
2. If this form is signed and returned without any indication as to how the proxy shall vote, he will exercise his discretion both as to how he votes and as to whether or not to abstain from voting.
3. In the case of joint holders the signature of any holder will be sufficient.
4. In the case of an individual, this Form of Proxy shall be signed by the appointor or by his attorney. A corporation's Form of Proxy shall be executed under its common seal, or under the hand of an officer or attorney duly authorised on the corporation's behalf.

5.* If you wish to appoint a proxy other than the Chairman of the meeting a space has been provided. Please make the necessary deletion and initial it. A proxy need not be a member of the Company.

6. This Form of Proxy, to be valid, must be lodged with the Company's Registrars at the address overleaf not less than 48 hours before the time of the appointed meeting together with the power of attorney or other written authority, if any, under which it is signed or an office copy or a notarially certified copy thereof. Completion and return of a Form of Proxy does not prevent a member from attending and voting at the meeting should he/she wish.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No BM3865

1

NEVILLE REGISTRARS
LIMITED
NEVILLE HOUSE
18 LAUREL LANE
HALESOWEN
WEST MIDLANDS
B63 3BR

FIRST FOLD

THIRD FOLD AND TUCK IN

Financial Calendar

Half year results	-	Announcement	November 2006
Full year results	-	Announcement	June 2007
Report and accounts	-	Posted to shareholders	June 2007

Principal Addresses

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