Prime People Plc

Annual Report and Accounts

Annual report and financial statements
for the year ended 31 March 2007

2007

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Chairman's statement

Introduction

I am pleased to report the results for Prime People Plc for the year ended 31 March 2007, with good progress made in our core UK market as well as on our international expansion strategy.

Profit before taxation for the year was £2.01 million, which is a 14.2 per cent increase on the pro forma profit for the previous year of £1.76 million and is in line with the trading statement issued on 3 May. As this is our first full year of trading since the Group's transformation in January 2006 by the reverse takeover by Macdonald & Company Group Limited ("Macdonald"), pro forma results have been provided to give a meaningful comparison of year on year performance of the continuing business. On a statutory basis, the £2.01 million reported profit before tax for 2007 compares to a loss for the 15 months ended 31 March 2006 of £11,000.

Prime People's principal business activity is the provision of recruitment services to the UK and International real estate, infrastructure and commercial property sectors. This activity is operated through our main trading subsidiary, Macdonald.

Reflecting the positive conditions within the markets we serve and a continuing demand for professional staff, gross fee income increased 22 per cent to £20.2 million (2006 pro forma: £16.5 million). This translated to net fee income ("NFI") for the year ended 31 March 2007 of £10.8 million, a 23 per cent increase on the previous year (2006 pro forma: £8.8 million).

In the UK, demand for property professionals remained strong throughout the year. The people we place are involved in the investment, development and management of all types of property asset. Our main revenues are generated from placing permanent and contract staff who are specialists in disciplines such as fund management, investment, development and financing, project management, quantity surveying and building surveying, facilities management, town and country planning, architecture and social housing. With a steady pipeline of development, infrastructure and regeneration projects already committed to in the UK, we expect to see continuing strong demand for candidates. In addition, increases in NFI are also being supported by wage inflation arising from a shortage of skilled candidates in the sectors we serve. Our new architecture and social housing businesses, which commenced in the year, further strengthen our offering and provide good opportunities for new revenue growth in the coming year.

In line with our stated plans to broaden the Macdonald business overseas, during the year new offices were established in Hong Kong, Australia and the Republic of South Africa and our Dubai operation was strengthened. The Dubai and Hong Kong offices are accessing areas of particularly high economic growth whilst the Australian and South African offices, which opened more recently, address local markets and further facilitate the global movement of the professionals that Macdonald places. The decision to bring forward the opening of our Australian office into the current year was opportunity driven and resulted in start-up costs of approximately £0.09 million in the year, which were not originally planned for. In the period being reported, the four overseas offices contributed 10 per cent of NFI (2006 - Nil). We expect NFI derived from overseas offices to continue to increase as a proportion of total NFI in the years ahead.

Dividend

The strong underlying performance over the past year has led the Board to propose a final dividend of 2.25p per ordinary share. This will be paid on 25 July 2007 to shareholders on the register on 29 June 2007 and brings the total dividend paid to shareholders for the year to 3.5p per ordinary share (1.125p for the 15 months ended 31 March 2006).

Chairman's statement

Statutory Results

The Statutory results are set out in full in the financial statements.

The table below provides the highlights of the Group's performance for the year, compared with the pro forma results for the year ended 31 March 2006. The financial statements provide a comparison with the 15 month period to 31 March 2006.

	Year ended 31 March 2007 £'000 Actual	Year ended 31 March 2006 £'000 Proforma	% change
Gross Fee Income	**20,179**	16,504	**+22.3%**
Direct Costs	**(9,344)**	(7,699)	
Net Fee Income	**10,835**	8,805	**+23.1%**
Admin Expenses	**(8,748)**	(6,997)	
Operating Profit	**2,087**	1,808	**+15.4%**
Net Interest	**(78)**	(51)	
Profit before tax	**2,009**	1,757	**+14.3%**
Taxation at 33% (2006: 30%)	**(665)**	(527)	
Profit after tax	**1,344**	1,230	**+9.3%**
Fully diluted EPS	**10.93p**	10.23p	**+6.8%**

Prime People includes the trading businesses of Macdonald and Harper Craven Associates Limited ("Harper Craven").

Longer term growth opportunities

In pursuing our overall growth strategy, we continue to focus on organic expansion - adding new consultants in existing and complementary areas in the UK and internationally. At the same time we continue actively to seek acquisition targets of an appropriate size and operational fit. However, as yet none has been found which meet our acquisition criteria.

Outlook

The performance of the Company in the year to date has been encouraging and is in line with our expectations, with our international operations performing well. We anticipate that there will continue to be opportunities for good organic growth both in the UK and internationally.

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

Robert Macdonald
Executive Chairman

7 June 2007

Operating Review

Macdonald

Our core business is the provision of recruitment services to the real estate, infrastructure and commercial property markets in the UK and around the world, a sector comprising assets in the UK alone valued at over £640 billion.

The sector we serve has been buoyant during the past year, with strong demand for professional staff, particularly for permanent placements. This has led to a further increase in gross fee income and profit over the past year and the business has maintained its record of consistent growth. NFI increased by 27.5 per cent from £8.23 million proforma 2006 to £10.5 million, split 79/21 between permanent and temporary placements (prior year pro forma Perm/Temp split was 76/24). The growth in NFI also reflected an increase in fee earners of 31 per cent, bringing our total number of consultants to 81 at the year-end.

Details of the split between temporary and permanent NFI is shown below:

	Year ended 31 March 2007 £'000	Perm/Temp split %	Year ended 31 March 2006 Pro forma £'000	Perm/Temp split %	NFI growth %
Net fee income - permanent	8,308	79	6,282	76	+32.3%
Net fee income - contract & temporary	2,190	21	1,951	24	+12.3%
Total net fee income	10,498	100	8,233	100	+27.5%

We established our first overseas office in Dubai in January 2006 and this has performed well in the year. We now have eight fee earners operating from this office.

In July 2006 we commenced operations in Hong Kong, when a senior member of staff was relocated there. The cultural challenges of doing business in this region meant that it has taken longer to become established in this market than we had originally anticipated, resulting in start-up losses of £0.08 million in the period being reported. The business is now performing well and we have added additional 'ex-pat' and local staff to this operation. We now have five fee earners serving the Asian region, which includes mainland China.

In January 2007 we took the opportunity to bring forward our plans to open an office in Australia and established our office in Sydney with the secondment of a senior member of staff who has subsequently been joined by another member of our London team and four local hires.

Our Johannesburg office comprises two fee earners and began trading in April 2007.

We are very pleased with the progress our overseas offices have made during the year in contributing 10 per cent of total Group NFI.

During the coming year we plan to consolidate our positions in overseas markets with further hires. These, together with a full year of trading from the more recently opened offices, will, we expect, result in an increase in NFI derived from overseas offices in 2007/08.

Operating Review

Harper Craven

In addition to our core recruitment activity, the Group also owns Harper Craven, which provides bespoke sales, marketing and management training and coaching programmes to a broad range of corporate clients. This business has been part of the group for a number of years, prior to the reverse takeover by Macdonald, and has made a small contribution to group profit before tax in the year.

Outlook

Prospects for Macdonald appear good with demand for its services continuing from a pipeline of UK infrastructure projects running long into the future and in commercial property internationally from demand for increasingly sophisticated expertise in property investment and property management.

In the UK, our new revenue lines in architecture and social housing have each made a good start and we expect that they will make increasing contributions in the coming years.

Overseas we are heartened by the positive reception we have received from locally based employers, many of these are regional offices of international businesses with which we already have relationships in the UK. Our expectations for our overseas operations are enhanced by the higher economic growth being seen in Middle and Far East markets, which we are now able to access directly.

Our people

Finally, I should once again like to thank our staff for their hard work and commitment over the last twelve months and remind shareholders that these results are a testament to their efforts.

Peter Moore
Managing Director

7 June 2007

Financial Review

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Trading Results

Gross fee income for the year from continuing operations increased by 22 percent to £20.18m (2006: proforma £16.5m).

NFI increased by 23 percent to £10.84m (2006: proforma £8.8m).

The group considers NFI to be the key indicator of the performance of the business and is defined as the income generated from permanent placements together with the contribution earned from contract and temporary staff.

Administrative expenses totalled £8.75m which represents 80.7 percent of NFI (2006: proforma £7.0m - 79.5 percent). Profit before tax increased by 14.2 percent to £2.01m (2006: proforma £1.76m).

The taxation charge is £0.67m on a profit on ordinary activities before taxation of £2.01m which gives an overall tax rate of 33 percent (2006: proforma 30 percent). The reasons for the difference from the standard UK corporation tax rate of 30 percent are detailed in note 8 of the accounts.

Earnings Per Share

The continuing diluted earnings per share is 10.93p (2006: proforma 10.23p)

Dividend

As outlined in the chairman's statement, the directors propose a final dividend of 2.25p which will be paid on 25 July 2007 to shareholders who are on the register on the 29 June 2007 making a total dividend for the period of 3.5p.

Treasury Management

Net cash inflow of £1.27m (2006: inflow of £0.16m) was generated from operating activities during the year which after net taxation payments of £0.53m (2006: net payment of £0.59m) resulted in a net cash inflow from operating activities of £0.74m (2006: outflow of £0.43m).

The group operates a centralised treasury function with a net debt position at 31 March 2007 of £0.84m, compared to £1.25m at 31 March 2006.

Christopher Heayberd
Finance Director

7 June 2007

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

Arbuthnot Securities Limited, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR.

Solicitors

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

Auditors

Horwath Clark Whitehill LLP, Aquis House, 49-51 Blagrave Street, Reading, Berkshire RG1 1PL.

Principal bankers

Barclays Bank plc, Corporate Banking, 1 Churchill Place, London E14 5HP.

Registrars

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

Report of the directors for the year ended 31 March 2007

The directors present their annual report together with the audited financial statements for the year ended 31 March 2007.

Principal activity, business review and future developments

The principal activity of the Group during the year 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 5.

Results

The consolidated profit on ordinary activities after taxation amounted to £1,344,000 (2006 loss - £27,000).

Dividends

An interim dividend of 1.25 pence per ordinary share was paid on 21 December 2006 to those shareholders on the register at 8 December 2006 and a final dividend of 2.25 pence per ordinary share will be paid on 25 July 2007 to those shareholders on the register at 29 June 2007.

Directors and directors' interests

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

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

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:

	Ordinary shares of 10p each 31 March 2007	Ordinary shares of 10p each 31 March 2006
R J G Macdonald	**2,480,127**	**2,126,832**
P H Moore	**2,897,906**	**2,452,946**
C I Heayberd	**199,238**	**199,238**
J H J Lewis	**1,180,849**	**744,651**
S J Murphy	**230,000**	**230,000**

Details of directors' share options are given in the Remuneration Report on page 16.

There have been no changes to the directors' interests in the ordinary share capital of Prime People Plc between 31 March 2007 and 18 May 2007.

Report of the directors for the year ended 31 March 2007 *(Continued)*

Directors' biographies

Robert Macdonald 59 - 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 37 - 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.

Christopher Heayberd BA ACA 54 - 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) 66 - 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 42 - 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.

Report of the directors for the year ended 31 March 2007 *(Continued)*

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 18 May 2007.

	Number of 10p ordinary shares	Percent of issued share capital %
Peter Moore	2,897,906	24.09
Robert Macdonald	2,480,127	20.62
John Lewis	1,180,849	9.82
Mrs Marilyn Lee	899,963	7.48
City of London PR Group	429,455	3.57

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 2007 was 126.50p. The highest and lowest mid market quotations in the period from 1 April 2006 to 31 March 2007 were 129.50p and 88.50p.

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 (2006: 40 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.

Report of the directors for the year ended 31 March 2007 *(Continued)*

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.

Special business for the annual general meeting

The notice of the meeting contains Ordinary and Special Resolutions to be proposed at the forthcoming annual general meeting to be held on 17 July 2007. 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 7 to grant authority to allot shares up to a maximum aggregate nominal amount of £400,923. This amounts to 4,009,232 shares or approximately 33.33% of the total share capital in issue as at 1 June 2007.

Except for shares held under an Enterprise Management Incentive Scheme which holders are entitled to exercise after 16 May 2007, 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 board is granted the authority to issue new shares by shareholders, authority will be sought in resolution 8 to allot shares for cash up to a maximum aggregate nominal amount of £60,144, representing 601,445 shares, being 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 16 July 2008 or at the conclusion of the next annual general meeting of the Company.

Market purchases of own shares

Resolution 9 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 out of the distributable profits of the Company. The Directors propose that the Company should be authorised to purchase a maximum of 1,202,890 ordinary shares of 10p each, equivalent to approximately 10% of the current ordinary shares in issue. On such purchase, such ordinary shares will be cancelled.

Report of the directors for the year ended 31 March 2007 *(Continued)*

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.

SAYE Share Scheme

The Board proposes to implement an employee share option scheme to incentivise employees. The type of scheme currently proposed is a Save As You Earn scheme (SAYE) which requires HMRC approval prior to implementation.

In SAYE schemes, favourable tax treatment is given for share options granted to directors and employees. Such share options are linked to either a three year or five year savings contracts entered into by the participant. The price per share must be determined at the outset, but may be set at a discount of up to 20% below the current market value of an ordinary share in the company. At the end of the SAYE scheme, participants have a choice of either exercising their option over the shares (which will hopefully have increased in value) or taking the cash which has built up in their savings account.

The options can be satisfied by either the Company granting shares direct to the employee or by an employee benefit trust, funded by the Company buying shares already in existence and allocating them to the employees.

The implementation of SAYE schemes has today become an industry standard and allows employees to identify themselves more closely with the long term objectives of the Company, thus improving their and therefore the Company's performance in the long run.

Electronic communications with shareholders

Resolution 11 will be proposed as an ordinary resolution at the Annual General Meeting, and if approved, will give the Company authority to send or supply shareholders documents or information in electronic form ("Electronic Form Communication") and by means of its website ("Website Communication"). This is permitted by recent legislation, in particular the Companies Act 2006 and should result in cost savings for the Company, environmental benefits and increased convenience for shareholders including the speeding up of the provision of information.

Auditors

The auditors Horwath Clark Whitehill LLP 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

7 June 2007

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 17. 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 7 and 16.

Biographies of the Board members appear on page 8.

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 judgment to bear in this role.

To enable the Board to function effectively and directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including 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 *(Continued)*

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 15 to 16. 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 *(Continued)*

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 April 2006 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 letters of appointment which entitle either party to give three months notice.

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 year as a board member of Prime People Plc and includes remuneration from the Company and its subsidiary undertakings.

	Salaries and fees £	Performance related payments £	Benefits £	12 months ending 31 March 2007 Total £	15 months ending 31 March 2006 Total £
Executive Chairman					
R J G Macdonald	88,285	-	3,402	91,687	21,563
Executive Directors					
P H Moore	147,145	-	10,194	157,339	34,777
C I Heayberd	115,000	15,000	3,728	133,728	130,359
Non-executive directors					
J H J Lewis	15,000	-	-	15,000	3,629
S J Murphy	15,000	-	-	15,000	219,213
R E M Lee	-	-	-	-	8,167
P J Hearn	-	-	-	-	15,163
D C Coubrough	-	-	-	-	11,432
	380,430	**15,000**	**17,324**	**412,754**	**444,303**

Remuneration Report *(Continued)*

Directors' Options

At 31 March 2007 directors' options on ordinary shares of 10p each granted under the Prime People Enterprise Management Incentive Scheme, 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

On behalf of the Board

J H J Lewis
Chairman of the Remuneration Committee

7 June 2007

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 judgments 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In determing how amounts are presented within items in the profit and loss account and balance sheet, the directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information (s234ZA).

Independent auditors' report

Independent auditors' report to the shareholders of Prime People Plc

We have audited the group and parent company financial statements of Prime People Plc for the year ended 31 March 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group and Parent Company statements of Changes in Equity and the related notes numbered 1 to 23. 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 and as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements. In addition we report to you 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 judgments 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 2007 and of the group's profit for the period then ended ;
- the parent company financial statements give a true and fair view, in accordance with United Kindgom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and as regards the group financial statements, Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the financial statements.

As explained in note 1 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs of the state of the group's affairs as at 31 March 2007 and of its profit for the year then ended.

HORWATH CLARK WHITEHILL LLP
Chartered accountants and registered auditors
Reading
7 June 2007

Consolidated income statement for the year ended 31 March 2007

	Note	12 months ending 31 March 2007 Total £'000	15 months ending 31 March 2006 Total £'000
Gross fee income	2	**20,179**	5,373
Direct costs		**(9,344)**	(2,256)
Net fee income		**10,835**	3,117
Administrative expenses	3	**(8,748)**	(2,985)
Operating profit	4	**2,087**	132
Share of operating loss in associate		-	(79)
Impairment loss in associated undertaking		-	(156)
		-	(235)
Profit/(loss) before interest		**2,087**	(103)
Interest receivable and similar income		18	134
Interest payable and similar charges	7	(96)	(42)
Profit/(loss) before taxation		**2,009**	(11)
Taxation	8	**(665)**	(16)
Profit after tax for continuing activities		**1,344**	52
Share of loss after tax in associate		**-**	(79)
Profit/(loss) for the period attributable to equity shareholders		**1,344**	(27)
Earnings/(loss) per share	10		
- Basic		11.38p	(0.52p)
- Diluted		10.93p	(0.52p)
- Continuing basic		11.38p	6.69p
- Continuing diluted		10.93p	6.09p

All recognised gains and losses are included in the profit and loss account.
The notes on pages 24 to 41 form part of these financial statements.

Consolidated statement of changes in shareholders' equity at 31 March 2007

	Called up Share capital £'000	Shares to be issued £'000	Share premium account £'000	Share option reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2005	**368**	**-**	**910**	**-**	**173**	**1,889**	**3,340**
New shares issued	716	-	5,304	-	-	-	6,020
Consideration shares to be issued	-	1,000	-	-	-	-	1,000
Equity dividends	-	-	-	-	-	(46)	(46)
Loss for the year	-	-	-	-	-	(27)	(27)
At 31 March 2006	**1,084**	**1,000**	**6,214**	**-**	**173**	**1,816**	**10,287**
Consideration shares issued	119	(1,000)	881	-	-	-	-
Equity dividends	-	-	-	-	-	(271)	(271)
Share option charge	-	-	-	78	-	-	78
Profit for the year	-	-	-	-	-	1,344	1,344
At 31 March 2007	**1,203**	**-**	**7,095**	**78**	**173**	**2,889**	**11,438**

The notes on pages 24 to 41 form part of these financial statements

Consolidated balance sheet at 31 March 2007

	Note	2007 £'000	2006 £'000
Assets			
Non-current assets			
Goodwill	11	**9,769**	9,769
Property, plant and equipment	12	**316**	260
Deferred tax asset	14	**91**	75
		10,176	10,104
Current assets			
Investment held for sale	13	**-**	177
Trade and other receivables	15	**4,601**	3,333
Cash and cash equivalents	16	**304**	318
		4,905	3,828
Total assets		**15,081**	13,932
Liabilities			
Current liabilities			
Financial liabilities	16	**308**	445
Trade and other payables	17	**2,034**	1,773
Current tax liabilities		**461**	304
		2,803	2,522
Non-current liabilities			
Financial liabilities - borrowings	16	**840**	1,123
Total liabilities		**3,643**	3,645
Net assets		**11,438**	10,287
Capital and reserves			
Called up share capital	18	**1,203**	1,084
Share premium account		**7,095**	6,214
Other reserve		**173**	173
Consideration shares to be issued		**-**	1,000
Share option reserve		**78**	-
Retained earnings		**2,889**	1,816
Equity shareholders' funds		**11,438**	10,287

The financial statements were approved and authorised for issue by the Board on 7 June 2007

R J G Macdonald C I Heayberd

The notes on pages 24 to 41 form part of these financial statements

Company balance sheet at 31 March 2007

	Note	2007 £'000	2006 £'000
Assets			
Non-current assets			
Investment in subsidiaries	13	**10,976**	10,976
Property, plant and equipment	12	**3**	6
Deferred tax asset	14	**66**	66
		11,045	11,048
Current assets			
Investment held for sale	13	**-**	167
Trade and other receivables	15	**848**	112
Cash and cash equivalents		**149**	-
		997	279
Total assets		**12,042**	11,327
Liabilities			
Current liabilities			
Financial liabilities - borrowings		**287**	300
Other creditors		**62**	78
		349	378
Non-current liabilities			
Financial liabilities - borrowings		**840**	1,120
Total liabilities		**1,189**	1,498
Net assets		**10,853**	9,829
Capital and reserves			
Called up share capital	19	**1,203**	1,084
Share premium account	19	**7,095**	6,214
Other reserve	19	**173**	173
Shares to be issued	19	**-**	1,000
Share option reserve		**61**	-
Retained earnings	19	**2,321**	1,358
Equity shareholders' funds		**10,853**	9,829

The financial statements were approved and authorised for issue by the Board on 7 June 2007

R J G Macdonald C I Heayberd

The notes on pages 24 to 41 form part of these financial statements

Consolidated cash flow statement for the year ended 31 March 2007

	Note	12 months ending 31 March 2007 Total £'000	15 months ending 31 March 2006 Total £'000
Cash flows from operating activities			
Cash generated by operations	21	**1,266**	155
Taxation received		**-**	5
Corporation tax paid		**(525)**	(590)
Net cash from/(used in) operating activities		**741**	(430)
Cash flows from investing activities			
Interest received		**18**	134
Interest paid		**(96)**	(42)
Purchase of subsidiary undertaking		**-**	(9,876)
Disposal of investment held for sale		**178**	-
Net cash acquired with business		**-**	202
Net purchase of property, plant and equipment		**(164)**	(13)
Net cash used in investing activities		**(64)**	(9,595)
Cash flows from financing activities			
Issue of ordinary share capital		**-**	6,020
New bank loan		**-**	1,400
Repayment of borrowings		**(280)**	-
Capital element of hire purchase obligations		**(7)**	(9)
Dividend paid to shareholders		**(271)**	(46)
Net cash (used in)/from financing activities		**(558)**	7,365
Net increase/(decrease) in cash and cash equivalents		**119**	(2,660)
Cash and cash equivalents at 1 April 2006		**160**	2,820
Cash and cash equivalents at 31 March 2007	22	**279**	160

The notes on pages 24 to 41 form part of these financial statements

Notes forming part of the financial statements for the year ended 31 March 2007

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 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 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 previous period the associated undertaking was 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.

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. A provision is made against gross fee income for the cancellation of placements either prior to or shortly after the commencement of employment based on past experience of this occurring.

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

1 Accounting policies *(continued)*

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 instalments 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.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Borrowing costs
Borrowing costs are recognised in the income statement in the period in which they are incurred.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Trade receivables
Trade receivables are measured at fair value after appropriate allowances for estimated irrecoverable amounts have been recognised in the income statement where there is objective evidence that the asset is impaired.

Trade payables
Trade payables are measured at fair value.

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

2 Segmental information

Geographical location of gross fee income by destination:

	12 months ending 31 March 2007 Total £'000	15 months ending 31 March 2006 Total £'000
United Kingdom	**19,073**	5,179
Rest of the World	**1,106**	194
	20,179	5,373

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

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

	12 months ending 31 March 2007	15 months ending 31 March 2006	12 months ending 31 March 2007	15 months ending 31 March 2006
	Pre-tax profit/(loss)		Gross fee income	
	£'000	£'000	£'000	£'000
Recruitment - property	**19,647**	4,608	**2,382**	563
Training	**532**	765	**55**	30
Head office costs	**-**	-	**(428)**	(369)
Share of operating loss in associates	**-**	-	-	(79)
Impairment loss in associate undertaking	**-**	-	**-**	(156)
	20,179	5,373	**2,009**	(11)

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

2 Segmental information (Continued)

ii) Net assets by class of business:

	12 months ending 31 March 2007 Total £'000	15 months ending 31 March 2006 Total £'000
Non-current assets		
Recruitment	**334**	231
Training	**14**	23
Central	**9,828**	9,850
	10,176	10,104
Current assets		
Recruitment	**4,612**	3,440
Training	**131**	170
Investment held for resale	**-**	177
Central	**162**	41
	4,905	3,828
Total assets	**15,081**	13,932
Current liabilities		
Recruitment	**2,380**	2,051
Training	**87**	109
Central	**336**	362
	2,803	2,522
Non-current liabilities		
Training	**-**	3
Central	**840**	1,120
	840	1,123
Total liabilities	**3,643**	3,645
Net assets	**11,438**	10,287

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

2 Segmental information (Continued)

iii) Other information by class of business:

	12 months ending 31 March 2007 Total £'000	15 months ending 31 March 2006 Total £'000
Capital Expenditure		
Recruitment	**162**	10
Training	**1**	2
Central	**1**	2
	164	14
Depreciation		
Recruitment	**95**	20
Training	**9**	13
Central	**4**	5
	108	38

3 Restructuring costs

	12 months ending 31 March 2007 £'000	15 months ending 31 March 2006 £'000
Costs relating to restructuring and integration arising from the acquisition of Macdonald & Company Group Limited	**-**	186

4 Operating profit

		12 months ending 31 March 2007 £'000	15 months ending 31 March 2006 £'000
This is arrived at after charging:			
Fees payable to the company's auditor for the audit of the company's annual accounts		**16**	16
Fees payable to the company's auditor and its associates for other services			
- the audit of the company's subsidiaries pursuant to legislation		**18**	27
- tax services		**3**	-
Depreciation	- leased assets	**4**	6
	- owned assets	**104**	33
Operating lease rentals	- land and buildings	**356**	60
	- other operating leases	**7**	8

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

5 Directors and key management

	12 months ending 31 March 2007 £'000	15 months ending 31 March 2006 £'000
Directors' and key management remuneration consists of:		
Fees and emoluments for management services	**413**	390
Compensation for loss of office	**-**	54
	413	444
Highest paid director:		
Emoluments	**157**	166
Compensation for loss of office	**-**	50
	157	216

Directors' Options

At 31 March 2007 directors' options on ordinary shares of 10p each granted under the Prime People Enterprise Management Incentive Scheme, 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

Further details of directors' remuneration are shown in the Remuneration Report on pages 15 to 16.

6 Staff costs including (directors)

	12 months ending 31 March 2007	15 months ending 31 March 2006
The average monthly number of employees of the Group during the year, including directors, was as follows:		
Consultants	**70**	17
Management and administration	**34**	8
	104	25

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

	12 months ending 31 March 2007 £'000	15 months ending 31 March 2006 £'000
Wages and salaries	**5,684**	1,756
Social security costs	**639**	420
Pension costs	**-**	3
	6,323	2,179

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

7 Interest payable and similar charges

	12 months ending 31 March 2007 £'000	15 months ending 31 March 2006 £'000
Bank interest	**95**	40
Finance charges payable in respect of hire purchase agreements	**1**	2
	96	42

8 Taxation

	12 months ending 31 March 2007 £'000	15 months ending 31 March 2006 £'000
Current tax		
UK Corporation tax	**674**	121
UK tax under/(over) provided in previous years	**7**	(18)
Total current tax	**681**	103
Deferred tax		
Origination and reversal of temporary differences	(16)	(87)
Total income tax expense in the income statement	**665**	16

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:

	12 months ending 31 March 2007 £'000	15 months ending 31 March 2006 £'000
Profit/(loss) before taxation	**2,009**	(11)
UK corporation tax at the standard rate of 30% (2006: 30%) on profit/(loss) on ordinary activities	**603**	(3)
Effects:		
Expenses not deductible for tax purposes - including goodwill	**20**	13
Capital allowances for the period less than/(in excess of) depreciation	**1**	5
Losses created in the year	**-**	42
Foreign tax losses not utilised	**47**	-
Tax rate differences	**3**	(6)
Underprovision/(overprovision) in prior years	**7**	(18)
Share of associate's losses created in the period	**-**	23
Impairment loss in associate undertaking	**-**	47
	681	103

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

9 Dividends

	12 months ending 31 March 2007 £'000	15 months ending 31 March 2006 £'000
Final dividend for 2006: 1.00p per share (post consolidation)	**121**	-
Interim dividend for 2007: 1.25p per share (post consolidation)	**150**	46
	271	46

The directors propose a final dividend in respect of the year ending 31 March 2007 of 2.25p per share which will be paid on 25 July 2007 to shareholders who are on the register on 29 June 2007.

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 profit/(loss) 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.

	12 months ending 31 March 2007 £'000	15 months ending 31 March 2006 £'000
Retained profit/(loss) for basic earnings/(loss) per share	**1,344**	(27)
Tax on profit/(loss)	**665**	16
Restructuring costs	**-**	186
Loss arising from associate undertaking	**-**	235
Profit before tax, restructuring costs	**2,009**	410
Taxation	**(665)**	(71)
Adjusted retained profit for adjusted earnings per share	**1,344**	339

	Number	Number
Weighted average number of shares used for basic and continuing earnings per share	**11,810,511**	5,052,844
Dilutive effect of share options and shares to be issued	**482,768**	257,522
Diluted weighted average number of shares used for diluted earnings per share	**12,293,279**	5,310,366

	Pence	Pence
Basic earnings per share	**11.38p**	(0.52p)
Diluted earnings per share	**10.93p**	(0.52p)
Continuing basic earnings per share	**11.38p**	6.69p
Continuing diluted earnings per share	**10.93p**	6.09p

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

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

11 Goodwill

	Goodwill £'000
At 1 April 2006 and 31 March 2007	**9,769**

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 year measured against the budgeted performance and the projected results for the next 12 months.

12 Property, plant and equipment

Group	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 April 2006	484	22	506
Additions	164	-	164
Disposals	(16)	-	(16)
At 31 March 2007	**632**	**22**	**654**
Depreciation			
At 1 April 2006	239	7	246
Provision for the year	104	4	108
Disposals	(16)	-	(16)
At 31 March 2007	**327**	**11**	**338**
Net book value			
At 31 March 2007	**305**	**11**	**316**
At 31 March 2006	245	15	260

The net book value of motor vehicles held under hire purchase agreements includes an amount of £11,000 (2006: £15,000).

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

12 Property, plant and equipment (continued)

Company	**Fixtures, fittings and equipment £'000**
Cost	
At 1 April 2006	31
Additions	1
Disposals	(16)
At 31 March 2007	**16**
Depreciation	
At 1 April 2006	25
Provision for the year	4
Disposals	(16)
At 31 March 2007	**13**
Net book value	
At 31 March 2007	**3**
At 31 March 2006	6

13 Non current asset investments

Group	**Country of Incorporation**	**Proportion of voting rights and ordinary share capital held**	**Nature of business**
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:

	2007 £'000	**2006 £'000**
Turnover	-	4,066
Loss before tax	-	(79)
Loss after tax	-	(79)
Fixed assets	-	41
Current assets	-	559
Liabilities due within one year	-	(315)

At 31 March 2006 the associate had net assets of £638,014 and a retained loss for the 15 month period to 31 March 2006 of £176,357.

On 28 April 2006 Prime People Plc disposed of its entire 44.66% holding in Cameron Kennedy Resources Limited for a cash consideration of £180,000 less expenses of £2,000.

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

13 Non current asset investments (continued)

	2007 £'000	2007 £'000	2006 £'000	2006 £'000
2006 - 44.66% of net assets of associate		-		285
Goodwill arising on acquisition	-		120	
Amortisation charged to date	-		(72)	
		-		48
Less:				
Impairment loss in associate undertaking		-		(156)
Interest in investment held for sale at 31 March		-		177

	Investment held for sale £'000	Shares in subsidiary undertakings £'000	Total £'000
Cost			
At 1 April 2006	167	11,139	11,306
Disposals	(167)	-	(167)
At 31 March 2007	**-**	**11,139**	**11,139**
Amounts provided			
At 1 April 2006 and 31 March 2007	-	163	163
Net book value			
At 31 March 2007	**-**	**10,976**	**10,976**
At 31 March 2006	167	10,976	11,143

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

13 Non current asset investments (continued)

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

	Country of incorporation business	Proportion of voting rights and ordinary share capital held	Nature of 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
Propertejobs.com Limited	England and Wales	100%	Dormant
Macdonald & Company Pty Ltd	Australia	100%	Recruitment
Macdonald & Company Ltd	Hong Kong	100%	Recruitment
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

Company	Depreciation in excess of capital allowances £'000	Losses £'000	Total £'000
Balance at 1 January 2005	(12)	-	(12)
Credit to income	21	66	87
Balance at 1 April 2006	9	66	75
Credit to income	(19)	35	16
Balance at 31 March 2007	**(10)**	**101**	**91**

Company	Losses £	Total £
Balance at 1 January 2005	-	-
Credit to income	66	66
Balance at 31 March 2006	66	66
Charge to income	-	-
Balance at 31 March 2007	**66**	**66**

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

15 Trade and other receivables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Amounts receivable within one year				
Trade receivables	**2,383**	1,670	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**835**	72
Other receivables	**111**	150	**3**	27
Prepayments and accrued income	**2,107**	1,513	**10**	13
	4,601	3,333	**848**	112

16 Financial Instruments

		2007 £'000	2006 £'000
Financial assets			
Current assets			
Investment held for sale	13	**-**	177
Trade and other receivables	15	**4,601**	3,333
Cash and cash equivalents		**304**	318
Sterling		**4,905**	3,828

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

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.

	2007 £'000	2006 £'000
Financial liabilities		
Current		
Bank loan (Secured)	**280**	280
Bank overdraft	**25**	25
Confidential invoice discounting	**-**	133
Hire purchase obligations	**3**	7
	308	445
Non-current		
Bank loan (Secured)	**840**	1,120
Hire purchase obligations	**-**	3
	840	1,123

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

16 Financial Instruments (continued)

	2007 £'000	2006 £'000
The maturity of these obligations is as follows:		
In one year or less	**308**	446
In more than one year but less than two years	**280**	284
In more than two years but not more than five years	**560**	840
	1,148	1,570
Less: future finance charges	**-**	(2)
	1,148	1,568

The Group's financial liabilities consist of a bank overdraft, 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 amount to £1,000,000 (2006: £1,000,000). The Group's overdraft has an interest of 1.75% over bank base rate.

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 commenced in April 2006 in 20 equal quarterly instalments 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.

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 year ended 31 March 2007 *(Continued)*

17 Trade and other payables - current

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Trade payables	**205**	280	**-**	1
Other payables	**165**	20	**-**	-
Taxation and social security	**814**	631	**5**	5
Accruals and deferred income	**850**	842	**44**	55
Amounts due to subsidiary undertakings	**-**	-	**13**	17
	2,034	1,773	**62**	78

18 Share capital

	31 March 2007		31 March 2006	
	Number	£'000	Number	£'000
AUTHORISED				
Ordinary shares of 10p each	**16,000,000**	**1,600**	16,000,000	1,600
ALLOTTED, CALLED UP AND FULLY PAID				
Ordinary shares of 10p each				
At beginning of year	**10,840,263**	**1,084**	-	-
Share consolidation	**-**	**-**	3,684,670	368
Shares issued	**1,188,636**	**119**	7,155,593	716
At end of period	**12,028,899**	**1,203**	10,840,263	1,084
Ordinary shares of 1p each				
At beginning of period	**-**	**-**	36,846,692	368,467
Share consolidation	**-**	**-**	(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 5 June 2006 the company issued 1,188,636 ordinary shares with an aggregate nominal value of £118,864 for a total consideration of £1,000,000.

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

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.

Details are as follows:

Year of grant	Exercise Price Pence	Exercise Period	Number of options	Granted	Number of options 31 March 2007
2006	57.5	2007 - 2015	368,467	-	368,467
2007	90.5	2008 - 2013	-	140,000	140,000
			368,467	140,000	508,467

The performance conditions which gives the option holders the right to exercise their options under the EMI has been achieved. All the 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

There are no share options held under the HM Revenue & Customs approved scheme.

19 Statement of changes in equity

Company	Called up Share capital £'000	Shares to be issued £'000	Share premium account £'000	Share option reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2006	1,084	1,000	6,214	-	173	1,358	9,829
Retained profit for the year	-	-	-	-	-	1,234	1,234
Consideration shares issued	119	(1,000)	881	-	-	-	-
Share option charge	-	-	-	61	-	-	61
Equity dividends	-	-	-	-	-	(271)	(271)
At 31 March 2007	**1,203**	**-**	**7,095**	**61**	**173**	**2,321**	**10,853**

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 profit after tax and before dividends dealt with in the financial statements of the parent is £1,233,704 (2006: loss £291,733).

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

20 Commitments

As at 31 March 2007 the group was committed to making the following total payments in respect of operating leases:

Group	2007 Land and buildings £'000	2007 Other £'000	2006 Land and buildings £'000	2006 Other £'000
Non-cancellable operating leases which expire:				
Within one year	48	-	-	-
In one to five years	955	16	-	16
After five years	459	-	1,377	7
	1,462	16	1,377	23

21 Reconciliation of operating profit to net cash inflow from operating activities

	12 months ending 31 March 2007 £'000	15 months ending 31 March 2006 £'000
Group operating profit	**2,087**	132
Depreciation	**108**	38
Share option reserve movement	**78**	-
Increase in debtors	**(1,268)**	(206)
Increase in creditors	**261**	191
	1,266	155

22 Analysis of net (debt)

	At 1 April 2006 £'000	Cash flow £'000	At 31 March 2007 £'000
Cash at bank and in hand	318	(14)	**304**
Bank overdraft	(158)	133	**(25)**
	160	119	**279**
Bank loans due within one year	(280)	-	**(280)**
Bank loans due after one year	(1,120)	280	**(840)**
Hire purchase obligations	(10)	7	**(3)**
Total net debt	(1,250)	406	**(844)**

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

23 Related party transactions

Prime People Plc provides various management services to its subsidiary undertakings. These services take the form of centralised Finance and Operations support. The Company also provides corporate guarantees on the subsidiary bank accounts. The total amount charged by the Company to its subsidiaries during the year is £414,000 (2006: £113,000). The balance owed by the subsidiary undertakings at the year end is £835,000 (2006: £55,090)

Notice of Annual General Meeting

Notice is hereby given that the twenty-third Annual General Meeting of Prime People Plc (the "Company") will be held at 40 Dover Street, Mayfair, London W1S 4NW on 17 July 2007 at 11.00am for the following purposes:

Ordinary Business:

1. To receive the Company's financial statements for the year ended 31 March 2007 together with the reports of the directors and auditors thereon.
2. To approve the Directors' recommendation that a final dividend of 2.25p per share be declared on the ordinary shares of the company
3. To approve the Remuneration Report
4. To re-elect Mr C.I. Heayberd as a director, who retires by rotation pursuant to the articles of association and, being eligible, offers himself up for re-election.
5. To re-appoint Horwath Clark Whitehill LLP as auditors for the ensuing year.
6. To authorise the Directors to determine the remuneration of the auditors.

Special Business:

7. 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 £400,923 provided that this authority shall expire at the conclusion of the Annual General Meeting to be held in 2008 or 15 months after the passing of this 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.
8. 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 7 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; or
   b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £60,144.
9. 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 for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) on the AIM Market of the London Stock Exchange of ordinary shares of 10p each in the capital of the Company provided that:
   a) The maximum aggregate number of new ordinary shares authorised to be purchased is 1,202,890 (representing approximately 10 per cent of the Company's current issued ordinary share capital).
   b) The minimum price which may be paid for such shares is £0.10 per share.
   c) The maximum price which may be paid for an ordinary share shall not be more than 5 per cent above the average of the middle market quotations for a new ordinary share as derived from the London Stock Exchange for the five business days immediately preceding the date on which the new ordinary share is purchased.
   d) Unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next AGM or 12 months from the date of passing this resolution, if earlier.
   e) The Company may make a contract or contracts to purchase new ordinary shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of new ordinary shares in pursuance of any such contract or contracts.
10. To consider and if thought fit, to pass the following resolution as a special resolution:
    That the Directors of the Company be authorised to establish a Save as You Earn (SAYE) employee share option scheme for the benefit of the employees within the Company and on such terms as the Directors may deem appropriate after taking into consideration statutory requirements
    That the Directors of the Company be further authorised to appoint a Building Society/Bank to implement and administer the scheme.
11. To consider and if thought fit, to pass the following resolution as an ordinary resolution: That the Directors of the Company be authorised generally and unconditionally to use electronic communications with its shareholders and in particular to authorise the Company to send or supply documents or information to its shareholders by making them available on a website. This Resolution shall supersede any provision in the Company's articles of association to the extent that it is inconsistent with this Resolution.

Registered Office
40a Dover Street
London
W1S 4NW

By order of the Board
C I Heayberd
Secretary
7th June 2007

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 17 July 2007 at 11.00am.

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:

Meeting as follows:

ORDINARY BUSINESS	FOR	AGAINST
1. To approve the Company's financial statements for the year ended 31 March 2007 together with the reports of the directors and auditors thereon.		
2. To approve the final dividend of 2.25p per pence ordinary share		
3. To approve the Remuneration Report.		
4. To re-elect Mr C.I Heayberd as a director		
5. To re-appoint Horwath Clark Whitehill LLP as auditors for the ensuing year		
6. To authorise the directors to determine the remuneration of the auditors.		
SPECIAL BUSINESS		
7. To authorise the directors to issue new shares		
8. To empower the directors to allot shares for cash.		
9. To authorise the directors to make market purchases of its own shares.		
10. To authorise the directors to establish an SAYE scheme.		
11. To authorise the directors to send or supply shareholders documents or information in electronic form and by means of its website		

Signed this ____________________ day of ____________________ 2007

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.

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HALESOWEN
WEST MIDLANDS
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Financial Calendar

Half year results	-	Announcement November 2007
Full year results	-	Announcement June 2008
Report and accounts	-	Posted to shareholders June 2008

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