

Prime People Plc Interim Report

for the six months ended 30 September 2010

2010

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CHAIRMAN'S STATEMENT**Results**

I am pleased to report that Prime People Plc has delivered a strong performance in the half-year ended 30 September 2010.

Group Net Fee Income ('NFI') for the six months ended 30 September 2010 increased by 30% to £3.95m (2009: £3.05m). Whilst the increase in NFI is substantially due to the improved macro-economic trading conditions it also reflects the results of the changes in management and organisation structure that we made to the business in 2009. Our permanent businesses performed well with the UK increasing NFI by 73% and the international businesses increasing NFI by 23% compared to the comparable period last year. Our temporary business, which, for the most part, recruits into the Public Sector, has suffered from government cut backs and experienced a 23% decline in NFI. Our professional training business traded profitably on stable revenues.

The net fee income split is:

	Six months ended 30 September 2010 £'000	Six months ended 30 September 2009 £'000
Recruitment		
Permanent		
- UK	2,045	1,185
- International	1,171	953
	3,216	2,138
Temporary (UK only)	593	760
Total recruitment	3,809	2,898
Training	144	152
	3,953	3,050

Profit

The combination of increasing NFI and an efficient cost base resulted in a profit before taxation for the period of £407,000, which compares favourably with the loss of £162,000 recorded for the comparable period last year.

Basic earnings per share for the period are 2.41 pence against a loss per share in the comparable period in 2009 of 1.1 pence.

CHAIRMAN'S STATEMENT

Net cash

Net cash inflow of £561,000 (2009: inflow of £14,000) was generated from operating activities during the period, which after tax payments of £58,000 (2009: net tax receipt of £34,000) resulted in a net cash inflow from operating activities of £503,000 (2009: inflow of £48,000)

At the end of the period the net cash position was £2.50m (2009: £1.81m)

Dividend

Given the improved trading seen in the first half of 2010 and the strong net cash position of the business the Board intend to pay a dividend of 1.75 pence on 3 December 2010 to those shareholders whose names are on the register on 26 November 2010.

Outlook

The UK permanent recruitment business is expected to perform in the second half in line with NFI levels achieved in the first half. As indicated above we are not anticipating any meaningful growth in our temporary business in the foreseeable future.

Prime Insight, our London based insights recruitment consultancy, which serves the market research industry, is now two years old and making a valuable contribution to NFI. We see the business as having considerable potential.

Encouragingly, the start-up Environmental & Energy recruitment business, which has a dedicated staff in both London and UAE offices, is showing early promise.

The relatively long established offices in Hong Kong (since 2006) and the UAE (since 2006) and our office in Johannesburg (since 2008) provide solid platforms to access areas of substantial GDP growth and we are targeting meaningful medium term revenue uplift from these overseas operations.

Whilst, we currently expect that the business will show further improvements in turnover and profit, we are conscious of the continuing level of uncertainty in our markets.

R J G Macdonald
Executive Chairman

12 November 2010

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Note	Six months ended		Year ended
		30 September 2010 £'000	30 September 2009 £'000	31 March 2010 £'000
Revenue	2	7,182	7,071	14,180
Cost of sales		(3,229)	(4,021)	(7,507)
Net fee income		3,953	3,050	6,673
Administrative expenses		(3,553)	(3,212)	(6,212)
Operating profit/(loss)		400	(162)	461
Finance income		9	5	12
Finance expense	3	(2)	(5)	(11)
Profit/(loss) before taxation		407	(162)	462
Tax expense	4	(121)	31	(129)
Profit/(loss) for the period		286	(131)	333
Other comprehensive (loss)/income:				
Foreign currency exchange differences		(33)	(82)	(18)
Total comprehensive income/(loss) for the period		253	(213)	315
Attributable to:				
Equity shareholders of the parent		253	(213)	315
Earnings per share				
Basic	6	2.41p	(1.10)p	2.79p
Diluted		2.24p	(1.10)p	2.71p

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Called up share capital	Capital redeem- ption reserve	Treasury shares	Share premium account	Other reserve	Share option reserve	Foreign currency trans- lation	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	1,203	-	-	7,095	173	176	486	4,335	13,468
Total comprehensive loss for the period	-	-	-	-	-	-	(82)	(131)	(213)
Adjustment in respect of share schemes	-	-	-	-	-	(107)	-	113	6
Shares purchased for cancellation	(9)	9	-	(18)	-	-	-	-	(18)
At 30 September 2009	1,194	9	-	7,077	173	69	404	4,317	13,243
Total comprehensive income for the period	-	-	-	-	-	-	64	226	290
Shares purchased for treasury	-	-	(9)	-	-	-	-	-	(9)
Adjustment in respect of share schemes	-	-	-	-	-	8	-	-	8
At 31 March 2010	1,194	9	(9)	7,077	173	77	468	4,543	13,532
Total comprehensive income for the period	-	-	-	-	-	-	(33)	286	253
Adjustment in respect of share schemes	-	-	-	-	-	18	-	-	18
Shares purchased for treasury	-	-	(8)	-	-	-	-	-	(8)
Dividends	-	-	-	-	-	-	-	(178)	(178)
At 30 September 2010	1,194	9	(17)	7,077	173	95	435	4,651	13,617

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

	30 September 2010 £'000	30 September 2009 £'000	31 March 2010 £'000
Assets			
Non-current assets			
Intangible assets	9,769	9,769	9,769
Property, plant and equipment	297	298	251
Deferred tax asset	41	79	54
	10,107	10,146	10,074
Current assets			
Trade and other receivables	3,000	2,863	2,795
Cash and cash equivalents	2,679	2,237	2,783
	5,679	5,100	5,578
Total assets	15,786	15,246	15,652
Liabilities			
Current Liabilities			
Financial liabilities – borrowings	176	289	476
Trade and other payables	1,814	1,574	1,514
Current tax liabilities	179	-	130
	2,169	1,863	2,120
Non current liabilities			
Financial liabilities – borrowings	-	140	-
	-	140	-
Total liabilities	2,169	2,003	2,120
Net assets	13,617	13,243	13,532
Capital and reserves attributable to the company's equity holders			
Called up share capital	1,194	1,194	1,194
Capital redemption reserve	9	9	9
Treasury shares	(17)	-	(9)
Share premium account	7,077	7,077	7,077
Other reserve	173	173	173
Share option reserve	95	69	77
Currency translation differences	435	404	468
Retained earnings	4,651	4,317	4,543
Equity shareholders funds	13,617	13,243	13,532

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2010

		Six months ended		Year ended
		30 September	30 September	31 March
		2010	2009	2010
	Note	£'000	£'000	£'000
Cash inflow from operating activities				
Cash generated by operations	7	561	14	859
Corporation tax (paid)/received		(58)	34	(27)
Net cash from operating activities		503	48	832
Cash flows from investing activities				
Interest received		9	5	12
Interest paid		(2)	(5)	(11)
Net purchase of property, plant and equipment		(127)	(12)	(51)
Net cash used in investing activities		(120)	(12)	(50)
Cash flows from financing activities				
Repayment of borrowings		(140)	(140)	(280)
Purchase own shares		-	(18)	(18)
Treasury shares		(9)	-	(9)
Increase in obligations under finance leases		28	-	-
Dividends paid to shareholders	5	(178)	-	(238)
Net cash used in financing activities		(299)	(158)	(545)
Net increase/(decrease) in cash and cash equivalents		84	(122)	237
Cash and cash equivalents at beginning of period/year		2,587	2,350	2,350
Cash and cash equivalents at end of period/year		2,671	2,228	2,587

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2010 (unaudited)

1. Accounting Policies

The consolidated interim financial statements are for the six months ended 30 September 2010. They have been prepared in accordance with International Financial Reporting Standards (IFRS) using the same accounting policies as those used in the preparation of the accounts for the year ended 31 March 2010. The accounting policies have been applied consistently throughout the group for the purposes of the preparation of these interim financial statements.

2. Interim Results**(a) Revenue and gross profit, by geography**

	Revenue			Gross Profit		
	Six months ended		Year ended	Six months ended		Year ended
	30 September 2010 £'000	30 September 2009 £'000	31 March 2010 £'000	30 September 2010 £'000	30 September 2009 £'000	31 March 2010 £'000
UK	6,011	6,118	12,163	2,782	2,097	4,656
Rest of World	1,171	953	2,017	1,171	953	2,017
	7,182	7,071	14,180	3,953	3,050	6,673

(b) Revenue and gross profit, by classification

For management purposes, the Group is organised into two business segments:

- Recruitment into the property, customer insight and environmental & energy sectors
- Training provided through bespoke sales, marketing and management training and coaching programmes

	Revenue			Gross Profit		
	Six months ended		Year ended	Six months ended		Year ended
	30 September 2010 £'000	30 September 2009 £'000	31 March 2010 £'000	30 September 2010 £'000	30 September 2009 £'000	31 March 2010 £'000
Permanent	3,216	2,138	5,003	3,216	2,138	4,979
Temporary	3,732	4,682	8,788	593	760	1,467
Training	234	251	389	144	152	227
	7,182	7,071	14,180	3,953	3,050	6,673

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2010 (unaudited)

3. Finance Expense

	Six months ended		Year ended
	30 September 2010 £'000	30 September 2009 £'000	31 March 2010 £'000
Bank interest:	2	5	11
	2	5	11

4. Taxation on profit on ordinary activities

The charge for taxation on profits for the interim period amounted to £0.12m (2009: credit of £0.03m) an effective rate of 30%.

5. Dividends

	Six months ended		Year ended
	30 September 2010 £'000	30 September 2009 £'000	31 March 2010 £'000
Final dividend for 2010 of 1.50 pence per share	178	-	-
Interim dividend for 2010 of 2.00 pence per share	-	-	238
	178	-	238

The proposed interim dividend for 2011 of 1.75 pence (2010 special interim dividend of 2.00 pence paid on 31 March 2010) was approved by the board on 12 November 2010 and will be paid on 3 December 2010 to those shareholders whose names are on the register on 26 November 2010.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2010 (unaudited)

6. 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 attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Earnings and weighted average number of shares used in the calculations are show below:

	Six months ended		Year ended
	30 September 2010 £'000	30 September 2009 £'000	31 March 2010 £'000
Profit/(loss) attributable to equity holders of the parent	286	(131)	333
	Number	Number	Number
Weighted average number of shares used for basic and continuing earnings per share	11,904,621	11,941,500	11,956,824
Dilutive effect of share options and shares to be issued	918,009	841,510	314,761
Diluted weighted average number of shares used for diluted earnings per share	12,822,630	12,783,010	12,271,585

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: share options. For the year ending 31 March 2010 the basic and diluted loss per share is the same, as the exercise of share options would reduce the loss per share and is, therefore, anti-dilutive.

	Pence	Pence	Pence
Basic earnings/(loss) per share	2.41p	(1.10)p	2.79p
Fully diluted earnings/(loss) per share	2.24p	(1.10)p	2.71p
Adjusted basic earnings/(loss) per share	2.41p	(1.10)p	2.79p
Adjusted fully diluted earnings/(loss) per share	2.24p	(1.10)p	2.71p

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2010 (unaudited)

7. Reconciliation of operating profit to net cash inflow from operating activities

	Six months ended		Year ended
	30 September	30 September	31 March
	2010	2009	2010
	£'000	£'000	£'000
Group operating profit/(loss)	400	(162)	461
Depreciation	82	93	189
Share option reserve movement	18	6	14
Effects of exchange rate changes	(33)	(82)	(18)
Profit on disposal of tangible fixed asset	(2)	-	-
(Increase)/decrease in debtors	(206)	487	555
Increase/(decrease) in creditors	302	(328)	(342)
Net cash inflow from operating activities	561	14	859

8. Reconciliation of net cash flow to movement in net funds

	Six months ended		Year ended
	30 September	30 September	31 March
	2010	2009	2010
	£'000	£'000	£'000
Increase/(decrease) in cash and cash equivalents in period/year	84	(122)	237
Decrease in net debt resulting from cash flows	112	140	280
Net funds at the start of the period/year	2,307	1,790	1,790
Net funds at the end of the period/year	2,503	1,808	2,307

9. Nature of the financial information

The interim financial information for the six months ended 30 September 2010, was approved by the board on 12 November 2010.

The financial information set out above does not constitute full accounts within the meaning of the Companies Act 2006. The comparative results for the year ended 31 March 2010 have been extracted from the Group's financial statements for that period which have received an unqualified audit report and have been filed with the Registrar of Companies.

A copy of the interim results will be available on the company's website www.prime-people.co.uk

Prime People Plc

40a Dover Street

Mayfair

London W1S 4NW

Tel: 020 7318 1785

Fax: 0870 442 1737