

Prime People Plc Interim Report

for the six months ended 30 September 2011

2011

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CHAIRMAN'S STATEMENT

Overview

I am pleased to report that the Group has delivered a good performance in the half-year ended 30 September 2011.

Group Net Fee Income ('NFI'), which, after profit, we consider the most important indicator of performance, rose by 8% over the period. This rise was driven by our permanent businesses, which have shown strong growth in the UK and Asia, with the UK increasing NFI by 18% to £2.6m and Asia increasing NFI by 55% to £872,000 compared to the comparable period last year.

Market confidence across our businesses has varied from region to region. This is reflected in the reduction in NFI recorded by our Middle East and South African offices where NFI has reduced by 26% to £448,000. Our temporary business in the UK, which, for the most part, recruits into the Public Sector, continued to suffer from public sector cuts and experienced a 38% decline in NFI to £365,000.

Prime Insight, our London based customer insights recruitment consultancy, which serves the market research industry, is making an increasingly valuable contribution to NFI contributing in excess of 10% to NFI. We continue to see the business as having considerable potential.

We have made good progress with the development of our businesses in the Energy & Environment and the Pharmaceutical Research recruitment sectors with both businesses making positive contributions to the Group. Our Energy & Environmental recruitment business now has dedicated fee earners in Hong Kong as well as the UK and UAE.

Permanent recruitment now represents 92% of group NFI compared to 85% in the comparable period last year.

During the period, whilst continuing to exercise careful cost control, we have invested in the growth and diversification of our businesses increasing consultant headcount across the Group by 14%.

Financial Results

Group revenue declined by 8% for the period to £6.6m due to the reduction in temporary business (2010:£7.2m).

NFI increased by 8% to £4.3m (2010:£4.0m).

The combination of increasing NFI, reduction in bad debt provisions required by the business and efficient cost control resulted in a 23% increase in profit before taxation for the period to £0.5m (2010:£0.4m).

In the period the UK and Asia increased profit before taxation by 33% to £0.6m whereas losses from the Rest of World increased to £0.1m.

The charge for taxation is based on the expected annual effective tax rate of 28% (2010:30%).

Basic earnings per share for the period increased by 26% to 3.03p (2010:2.41p).

CHAIRMAN'S STATEMENT

Cash Flow

The Group maintained a strong net cash position of £2.9m (2010:£2.5m) at the end of the period. Cash generated from operating activities in the period amounted to £0.2m (2010:£0.6m), which, after capital expenditure of £0.05m (2010:£0.1m) and a dividend payment of £0.3m (2010:£0.2m), resulted in a net cash outflow of £0.2m (2010: inflow of £0.1m).

Dividend

Given the level of trading seen in the first half of 2011 and the strong net cash position of the business, the Board has declared a dividend of 1.84p (2010:£1.75p) payable on 25 November 2011 to shareholders whose names are on the register on 18 November 2011.

Outlook

Subject to economic circumstances in the regions in which we operate not deteriorating further we expect the permanent recruitment businesses to perform in the second half in line with NFI levels achieved in the first half. We are not anticipating any meaningful growth in our temporary business in the foreseeable future.

We will continue to invest in our Asia operations and will consider re-investing in the Middle East market if opportunities arise and confidence and stability return to the region.

We are pleased with the performance of our new business initiatives. We will continue to invest in these and seek further opportunities to enter new markets.

We believe that the action taken in prior years to ensure our business is appropriately sized and structured to meet the levels of expected business has proved effective and has allowed us to make meaningful profits and to invest in new businesses.

Robert Macdonald
Executive Chairman
9 November 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	Note	Six months ended		Year ended
		30 September 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
Revenue	3	6,640	7,182	13,953
Cost of sales		(2,312)	(3,229)	(5,913)
Net fee income		4,328	3,953	8,040
Administrative expenses		(3,836)	(3,553)	(7,031)
Operating profit		492	400	1,009
Finance income		11	9	19
Finance expense		(1)	(2)	(7)
Profit before taxation		502	407	1,021
Income tax expense	4	(143)	(121)	(325)
Profit for the period		359	286	696
Other comprehensive (loss)/income:				
Foreign currency exchange differences		16	(33)	(55)
Total comprehensive income for the period		375	253	641
Attributable to:				
Equity shareholders of the parent		375	253	641
Earnings per share				
Basic	6	3.03p	2.41p	5.86p
Diluted		2.96p	2.31p	5.65p

The above results relate to continuing operations.

The notes on pages 7 to 12 form an integral part of this unaudited condensed consolidated interim report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

		30 September 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
	Note			
Assets				
Non-current assets				
Goodwill		9,769	9,769	9,769
Property, plant and equipment		239	297	258
Deferred tax asset		25	41	26
		10,033	10,107	10,053
Current assets				
Trade and other receivables	9	3,321	3,000	2,956
Cash and cash equivalents		2,888	2,679	3,104
		6,209	5,679	6,060
Total assets		16,242	15,786	16,113
Liabilities				
Current Liabilities				
Financial liabilities		20	176	56
Trade and other payables	10	1,999	1,814	2,045
Current tax liabilities		328	179	198
		2,347	2,169	2,299
Non current liabilities				
Financial liabilities		19	-	21
Total liabilities		2,366	2,169	2,320
Net assets		13,876	13,617	13,793
Capital and reserves attributable to the company's equity holders				
Called up share capital		1,207	1,194	1,194
Capital redemption reserve		9	9	9
Treasury shares		(101)	(17)	(39)
Share premium account		7,108	7,095	7,095
Other reserve		173	173	173
Share option reserve		119	95	108
Currency translation differences		429	435	413
Retained earnings		4,932	4,633	4,840
Equity shareholders funds		13,876	13,617	13,793

The notes on pages 7 to 12 form an integral part of this unaudited condensed consolidated interim report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2011

	Note	Six months ended		Year ended
		30 September 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
Cash generated from underlying operations	7	163	594	1,577
Income tax paid		(12)	(58)	(229)
Income tax received		-	-	1
Net cash from operating activities		151	536	1,349
Cash flows from investing activities				
Interest received		11	9	19
Net purchase of property, plant and equipment		(52)	(127)	(169)
Net cash used in investing activities		(41)	(118)	(150)
Cash flows from financing activities				
Issue of ordinary share capital		26	-	-
Repayment of borrowings		(2)	(140)	(280)
Treasury shares		(62)	(9)	(30)
Capital element of hire purchase obligations		-	28	25
Dividend paid to shareholders	5	(267)	(178)	(387)
Interest paid		(1)	(2)	(7)
Net cash used in financing activities		(306)	(301)	(679)
Net (decrease)/increase in cash and cash equivalents		(196)	117	520
Cash and cash equivalents at beginning of period/year		3,052	2,587	2,587
Exchange gain/(loss) on cash and cash equivalents		16	(33)	(55)
Cash and cash equivalents at end of period/year		2,872	2,671	3,052

The notes on pages 7 to 12 form an integral part of this unaudited condensed consolidated interim report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	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 2010	1,194	9	(9)	7,095	173	77	468	4,525	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)	7,095	173	95	435	4,633	13,617
Total comprehensive income for the period	-	-	-	-	-	-	(22)	410	388
Shares purchased for treasury	-	-	(22)	-	-	-	-	-	(22)
Adjustment in respect of share schemes	-	-	-	-	-	13	-	6	19
Dividends	-	-	-	-	-	-	-	(209)	(209)
At 31 March 2011	1,194	9	(39)	7,095	173	108	413	4,840	13,793
Total comprehensive income for the period	-	-	-	-	-	-	16	359	375
Increase in share capital	13	-	-	13	-	-	-	-	26
Adjustment in respect of share schemes	-	-	-	-	-	11	-	-	11
Shares purchased for treasury	-	-	(62)	-	-	-	-	-	(62)
Dividends	-	-	-	-	-	-	-	(267)	(267)
At 30 September 2011	1,207	9	(101)	7,108	173	119	429	4,932	13,876

The notes on pages 7 to 12 form an integral part of this unaudited condensed consolidated interim report.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

For the six months ended 30 September 2011

1. General information

Prime People Plc (“the Company”) and its subsidiaries’ (together “the Group”) principal activity is the provision of permanent and temporary recruitment services to large and medium sized organisations. The Group’s focus has been to provide these services to the built environment sector and more recently this has been broadened to include provision of recruitment services for customer insight staff, the energy and environment sector and the pharmaceutical research sector.

Prime People Plc is the Group’s ultimate parent company. The Company is a limited liability company incorporated and domiciled in the United Kingdom. The address of Prime People Group’s registered office and its principal place of business is 40A Dover Street, London, W1S 4NW, England. Prime People Group’s shares are quoted on the Alternative Investment Market (AIM) of the London Stock Exchange.

This unaudited condensed consolidated interim report for the six months ended 30 September 2011 (including comparatives) is presented in GBP’000, and was approved and authorised for issue by the board of directors on 9 November 2011.

Copies of the interim results are available at the Company’s registered office and on the Company’s website – www.prime-people.co.uk.

This unaudited condensed consolidated interim report does not constitute statutory accounts of the Group within the meaning of section 434 of the Companies Act 2006. The financial information for the year ended 31 March 2011 has been extracted from the statutory accounts for that year, which have been filed with the Registrar of Companies. The auditors’ report on those accounts was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2. Basis of preparation

The unaudited condensed consolidated interim report for the six months ended 30 September 2011 has been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRSs”) and in accordance with ‘IAS 34, Interim financial reporting’, as adopted by the European Union. The condensed consolidated interim report should be read in conjunction with the annual financial statements for the year ended 31 March 2011 which were prepared in accordance with IFRSs as adopted by the European Union.

The Group was profitable for the period and has considerable financial resources comprising £2.9m of net cash at 30 September 2011. After making enquiries, the Directors have formed a judgement, at the time of approving the six months results, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months. For this reason the Directors continue to adopt the going concern basis in preparing the condensed set of financial statements.

These financial statements have been prepared under the historical cost convention, using the same accounting policies as those used in the preparation of the financial statements for the year ended 31 March 2011.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of the condensed consolidated interim report.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

For the six months ended 30 September 2011

3. Segment reporting**(a) Revenue and net fee income, by geography**

	Revenue			Net fee income		
	Six months ended		Year ended	Six months ended		Year ended
	30 September	30 September	31 March	30 September	30 September	31 March
	2011	2010	2011	2011	2010	2011
	£'000	£'000	£'000	£'000	£'000	£'000
UK	5,320	6,011	11,617	3,008	2,782	5,704
Asia	872	564	975	872	564	975
Rest of World	448	607	1,361	448	607	1,361
	6,640	7,182	13,953	4,328	3,953	8,040

(b) Revenue and net fee income, by classification

	Revenue			Net fee income		
	Six months ended		Year ended	Six months ended		Year ended
	30 September	30 September	31 March	30 September	30 September	31 March
	2011	2010	2011	2011	2010	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Permanent						
- UK	2,734	2,279	4,925	2,643	2,189	4,724
- Asia	872	564	975	872	564	975
- Rest of World	448	607	1,361	448	607	1,361
Temporary (UK)	2,586	3,732	6,692	365	593	980
	6,640	7,182	13,953	4,328	3,953	8,040

(c) Profit before taxation

	Six months ended		Year ended
	30 September	30 September	31 March
	2011	2010	2011
	£'000	£'000	£'000
UK	452	331	1,120
Asia	156	127	96
Rest of World	(116)	(58)	(207)
Operating profit	492	400	1,009
Net finance income	10	7	12
Profit before taxation	502	407	1,021

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

For the six months ended 30 September 2011

3. Segment reporting (continued)**(d) Total assets**

	30 September 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
UK	14,736	14,351	14,963
Asia	662	519	451
Rest of World	649	916	699
	16,047	15,786	16,113

(e) Total liabilities

	30 September 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
UK	1,706	1,775	1,955
Asia	143	122	108
Rest of World	322	272	257
	2,171	2,169	2,320

Given the increasing importance of operations outside the UK to the group additional segmental information has been provided for Asia and Rest of World. Previously the results of these two segments were combined.

4. Taxation on profit on ordinary activities

The charge for taxation on profits for the interim period amounted to £0.14m (2010: £0.12m) an effective rate of 28% (2010:30%).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

For the six months ended 30 September 2011

5. Dividends

	Six months ended		Year ended
	30 September 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
Final dividend for 2011 of 2.25 pence per share (2010: 1.50 pence per share)	267	178	178
Interim dividend for 2011 of 1.75 pence per share (2010: 2.0 pence per share)	-	-	209
	267	178	387

The interim dividend for 2012 of 1.84 pence (2011: 1.75 pence paid on 3 December 2010) was approved by the board on 8 November 2011 and will be paid on 25 November 2011 to those shareholders whose names are on the register on 18 November 2011.

6. Earnings per share

Earnings per share (EPS) is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Fully diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares by existing share options assuming dilution through conversion of all existing options.

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

	Six months ended		Year ended
	30 September 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
Retained profit for basic and diluted earnings per share	359	286	696
	Number	Number	Number
Weighted average number of shares used for basic earnings per share	11,829,413	11,897,621	11,883,121
Dilutive effect of share options	277,071	514,463	440,537
Diluted weighted average number of shares used for diluted earnings per share	12,106,483	12,394,084	12,323,657
	Pence	Pence	Pence
Basic earnings per share	3.03p	2.41p	5.86p
Diluted earnings per share	2.96p	2.31p	5.65p

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

For the six months ended 30 September 2011

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

	Six months ended		Year ended
	30 September 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
Profit before taxation	502	407	1,021
Adjust for:			
Depreciation	68	82	163
Share option reserve movement	11	18	37
Loss/(profit) on sale of plant and equipment	2	(2)	(3)
Net finance income	(10)	(7)	(12)
Operating cash flow before changes in working capital	573	498	1,206
(Increase)/decrease in receivables	(365)	(206)	(160)
(Decrease)/Increase in payables	(45)	302	531
Cash generated from underlying operations	163	594	1,577

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

	Six months ended		Year ended
	30 September 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
(Decrease)/increase in cash and cash equivalents in period/year	(196)	117	520
Decrease in net debt resulting from cash flows	2	112	255
Net funds at the start of the period/year	3,027	2,307	2,307
Other non-cash changes	16	(33)	(55)
Net funds at the end of the period/year	2,849	2,503	3,027

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

For the six months ended 30 September 2011

9. Trade and other receivables

	30 September 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
Trade receivables	1,812	1,915	1,715
Allowance for doubtful debts	(158)	(259)	(196)
Prepayments and accrued income	1,513	1,269	1,250
Other receivables	154	75	187
	3,321	3,000	2,956

10. Trade and other payables

	30 September 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
Trade payables	107	95	250
Other taxes and social security	448	429	512
Other payables	227	144	243
Accruals and deferred income	1,217	1,146	1,040
	1,999	1,814	2,045

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial statements. This includes not only sales and purchases but also expenses, income, and any other financial activity. The text explains that proper record-keeping is essential for identifying trends, managing cash flow, and complying with tax regulations.

Next, the document addresses the process of reconciling bank statements. It provides a step-by-step guide on how to compare the company's records with the bank's records to identify any discrepancies. Common reasons for differences, such as bank fees, interest, or timing differences, are discussed. The importance of reconciling accounts regularly to catch errors early is highlighted.

The third section focuses on budgeting and financial forecasting. It outlines how to create a realistic budget based on historical data and market conditions. The text discusses various forecasting techniques, such as trend analysis and ratio analysis, and provides examples of how to use these tools to predict future performance. It also touches on the importance of monitoring actual results against the budget and adjusting as needed.

Finally, the document covers the basics of financial reporting. It explains the different types of financial statements, including the balance sheet, income statement, and cash flow statement, and how they are prepared. It also discusses the importance of providing clear and concise explanations for the numbers in the reports, as well as the role of internal controls in ensuring the accuracy of the data.

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