



Prime People Plc Interim Report

for the six months ended 30 September 2012

2012

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CHAIRMAN'S STATEMENT

Overview

The first half of our financial year has provided challenging market conditions. However, we have continued with the expansion of our international business, which we believe will provide us with increased opportunities for growth in the future.

The six months have seen variable trading across our revenue areas resulting in an overall reduction in Net Fee Income ('NFI') of 12 per cent. As identified in our trading update of August 2012, our UK region experienced a fall in NFI whereas NFI from our international business has shown a modest increase.

Permanent recruitment in the period is 91 per cent of NFI, compared to 92 per cent in the comparable period.

The Group has delivered an operating profit of £0.1m in the first half of its financial year compared to £0.5m achieved in the comparable period last year.

The results reflect investment in our Singapore office and further investment in Hong Kong. The Singapore office is now established with five fee earners in place and we look forward to it making a meaningful contribution to the business. Also, over the last six months there has been a significant investment made in creating and developing new branding for our businesses. Investment has been focused upon creating strong brand identities, marketing collateral, innovative social media tools and new websites.

Financial Results

Group revenue declined by 5% for the period to £6.3m due to the reduction in our UK permanent business (2011:£6.6m).

NFI decreased by 12% to £3.8m (2011:£4.3m) as a result of a drop in UK NFI of 21% which has been partially offset by an increase in International NFI of 7%.

The reduction in profit before taxation for the period to £0.1m (2011:£0.5m) is the result of lower levels of activity in the UK, further investment in our Hong Kong business, the commitment that we have made to developing a new business in Singapore and the investment in branding, new media and websites.

The charge for taxation is based on the expected annual effective tax rate of 43% which is high in this period because of the impact of applying lower tax rates to the costs arising from our business in Singapore (2011:28%).

Basic earnings per share for the period were 0.57p (2011:3.03p).

Cash Flow

The Group maintained a strong net cash position of £2.1m (2011:£2.9m) at the end of the period. Cash used by the business in the period amounted to £0.46m (2011: cash generated £0.15m), which after dividend payment of £0.27m (2011:£0.27m), resulted in a net cash outflow of £0.73m (2011: £0.2m).

Dividend

Given the level of trading in the first half of 2012 the Board will be declaring an interim dividend of 1.00p (2011:1.84p).

PRIME PEOPLE PLC
UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT
For the six months ended 30 September 2012

CHAIRMAN'S STATEMENT (continued)

Outlook

Subject to economic circumstances in the regions in which we operate not deteriorating further, we currently expect the businesses in the UK to perform in the second half in line with levels achieved in the first half. Internationally we are currently expecting an increase in performance compared with the period being reported.

We believe our business is appropriately sized and structured to meet the levels of expected business. However, we continue to exercise tight cost control and to monitor carefully the performance in our various revenue areas.

Robert Macdonald
Executive Chairman
8 November 2012

PRIME PEOPLE PLC
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2012

	Note	Six months ended		Year ended
		30 September 2012 £'000	30 September 2011 £'000	31 March 2012 £'000
Revenue	3	6,278	6,640	12,652
Cost of sales		(2,496)	(2,312)	(4,626)
Net fee income		3,782	4,328	8,026
Administrative expenses		(3,675)	(3,836)	(7,096)
Operating profit		107	492	930
Finance income		10	11	21
Finance expense		-	(1)	(3)
Profit before taxation		117	502	948
Income tax expense	4	(50)	(143)	(268)
Profit for the period/year		67	359	680
Other comprehensive (loss)/income:				
Foreign currency exchange differences		(34)	16	(9)
Total comprehensive income for the period/year		33	375	671
Attributable to:				
Equity shareholders of the parent		33	375	671
Earnings per share	6			
Basic earnings per share		0.57p	3.03p	5.72p
Diluted		0.56p	2.96p	5.58p

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.

PRIME PEOPLE PLC
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		30 September	30 September	31 March
	Note	2012	2011	2012
		£'000	£'000	£'000
Assets				
Non-current assets				
Goodwill		9,769	9,769	9,769
Property, plant and equipment		168	239	195
Deferred tax asset		18	25	2
		9,955	10,033	9,966
Current assets				
Trade and other receivables	9	3,358	3,321	2,920
Cash and cash equivalents		2,064	2,888	2,831
		5,422	6,209	5,751
Total assets		15,377	16,242	15,717
Liabilities				
Current Liabilities				
Financial liabilities		7	20	7
Trade and other payables	10	1,581	1,998	1,711
Current tax liabilities		114	328	105
		1,702	2,346	1,823
Non current liabilities				
Financial liabilities		-	19	-
Total liabilities		1,702	2,365	1,823
Net assets		13,675	13,877	13,894
Capital and reserves attributable to the company's equity holders				
Called up share capital		1,207	1,207	1,207
Capital redemption reserve		9	9	9
Treasury shares		(165)	(101)	(169)
Share premium account		7,109	7,109	7,109
Merger reserve		173	173	173
Share option reserve		93	119	81
Currency translation differences		370	429	404
Retained earnings		4,879	4,932	5,080
Equity shareholders funds		13,675	13,877	13,894

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

PRIME PEOPLE PLC
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW
For the six months ended 30 September 2012

		Six months ended		Year ended
		30 September	30 September	31 March
		2012	2011	2012
	Note	£'000	£'000	£'000
Cash (used by)/generated from underlying operations	7	(399)	163	775
Income tax paid		(58)	(12)	(340)
Income tax received		-	-	3
Net cash (used)/from operating activities		(457)	151	438
Cash flows from investing activities				
Interest received		10	11	21
Net purchase of property, plant and equipment		(22)	(52)	(60)
Net cash used in investing activities		(12)	(41)	(39)
Cash flows from financing activities				
Issue of ordinary share capital		-	26	-
Repayment of borrowings		-	(2)	27
Treasury shares		4	(62)	(130)
Capital element of hire purchase obligations		-	-	(25)
Dividend paid to shareholders	5	(268)	(267)	(487)
Interest paid		-	(1)	(3)
Net cash used in financing activities		(264)	(306)	(618)
Net decrease in cash and cash equivalents		(733)	(196)	(219)
Cash and cash equivalents at beginning of period/year		2,824	3,052	3,052
Exchange (loss)/gain on cash and cash equivalents		(34)	16	(9)
Cash and cash equivalents at end of period/year		2,057	2,872	2,824

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

PRIME PEOPLE PLC
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2012

	Called up share capital £'000	Capital redem- ption reserve £'000	Treasury shares £'000	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Foreign currency trans- lation £'000	Retained earnings £'000	Total £'000
At 1 April 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	-	-	14	-	-	-	-	27
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)	7,109	173	119	429	4,932	13,877
Total comprehensive income for the period	-	-	-	-	-	-	(25)	321	296
Adjustment in respect of share schemes	-	-	-	-	-	(38)	-	47	9
Shares purchased for treasury	-	-	(68)	-	-	-	-	-	(68)
Dividends	-	-	-	-	-	-	-	(220)	(220)
At 31 March 2012	1,207	9	(169)	7,109	173	81	404	5,080	13,894
Total comprehensive income for the period	-	-	-	-	-	-	(34)	67	33
Adjustment in respect of share schemes	-	-	-	-	-	12	-	-	12
Issue of shares from treasury	-	-	4	-	-	-	-	-	4
Dividends	-	-	-	-	-	-	-	(268)	(268)
At 30 September 2012	1,207	9	(165)	7,109	173	93	370	4,879	13,675

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

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 2012 (including comparatives) is presented in GBP’000, and was approved and authorised for issue by the board of directors on 8 November 2012.

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 2012 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 2012 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 2012 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 £2.1m of net cash at 30 September 2012. 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 2012.

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

PRIME PEOPLE PLC
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT
For the six months ended 30 September 2012

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 2012 £'000	30 September 2011 £'000	31 March 2012 £'000	30 September 2012 £'000	30 September 2011 £'000	31 March 2012 £'000
UK	4,879	5,320	9,965	2,383	3,008	5,339
Asia	854	872	1,801	854	872	1,801
Rest of World	545	448	886	545	448	886
	6,278	6,640	12,652	3,782	4,328	8,026

(b) Revenue and net fee income by recruitment classification

	Revenue			Net fee income		
	Six months ended		Year ended	Six months ended		Year ended
	30 September 2012 £'000	30 September 2011 £'000	31 March 2012 £'000	30 September 2012 £'000	30 September 2011 £'000	31 March 2012 £'000
Permanent						
- UK	2,043	2,734	4,763	2,035	2,643	4,609
- Asia	854	872	1,801	854	872	1,801
- Rest of World	545	448	886	545	448	886
Temporary (UK)	2,836	2,586	5,202	348	365	730
	6,278	6,640	12,652	3,782	4,328	8,026

(c) Profit before taxation by geographical region

	Six months ended		Year ended
	30 September 2012 £'000	30 September 2011 £'000	31 March 2012 £'000
	UK	229	452
Asia	(160)	156	324
Rest of World	38	(116)	(85)
Operating profit	107	492	930
Net finance income	10	10	18
Profit before taxation	117	502	948

3. Segment reporting (continued)

(d) Total non-current assets

	30 September 2012 £'000	30 September 2011 £'000	31 March 2012 £'000
UK	9,929	10,017	9,952
Asia	18	14	12
Rest of World	8	2	2
	9,955	10,033	9,966

(e) Total liabilities

	30 September 2012 £'000	30 September 2011 £'000	31 March 2012 £'000
UK	1,123	1,900	881
Asia	341	143	601
Rest of World	238	322	341
	1,702	2,365	1,823

The analysis above is of the carrying amount of reportable segment assets, liabilities and non-current assets. Segment assets and liabilities include items directly attributable to a segment and include income tax assets and liabilities. Non-current assets include property, plant and equipment and computer software.

4. Income tax expense

The charge for taxation on profits for the interim period amounted to £0.05m (2011: £0.14m) an effective rate of 43% (2011: 28%).

5. Dividends

	Six months ended		Year ended
	30 September 2012 £'000	30 September 2011 £'000	31 March 2012 £'000
Final dividend for 2012 of 2.25 pence per share (2011: 2.25 pence per share)	268	267	267
Interim dividend for 2012 of 1.84 pence per share	-	-	220
	268	267	487

The interim dividend for 2013 of 1.00 pence (2012: 1.84 pence paid on 25 November 2011) was approved by the board on 8 November 2012 and will be paid on 29 November 2012 to those shareholders whose names are on the register on 23 November 2012.

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 2012 £'000	30 September 2011 £'000	31 March 2012 £'000
Retained profit for basic and diluted earnings per share	67	359	680
	Number	Number	Number
Weighted average number of shares used for basic earnings per share	11,895,514	11,829,413	11,890,089
Dilutive effect of share options	57,326	277,071	297,234
Diluted weighted average number of shares used for diluted earnings per share	11,952,840	12,106,484	12,187,323
	Pence	Pence	Pence
Basic earnings per share	0.57p	3.03p	5.72p
Diluted earnings per share	0.56p	2.96p	5.58p

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

	Six months ended		Year ended
	30 September	30 September	31 March
	2012	2011	2012
	£'000	£'000	£'000
Profit before taxation	117	502	948
Adjust for:			
Depreciation	50	68	120
Share option reserve movement	12	11	20
Loss on sale of plant and equipment	-	2	2
Net finance income	(10)	(10)	(18)
Operating cash flow before changes in working capital	169	573	1,072
(Increase)/decrease in receivables	(438)	(365)	37
(Decrease)/increase in payables	(130)	(45)	(334)
Cash (used by)/generated from underlying operations	(399)	163	775

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

	Six months ended		Year ended
	30 September	30 September	31 March
	2012	2011	2012
	£'000	£'000	£'000
Decrease in cash and cash equivalents in period/year	(733)	(196)	(219)
Decrease in net debt resulting from cash flows	-	2	25
Net funds at the start of the period/year	2,824	3,027	3,027
Other non-cash changes	(34)	16	(9)
Net funds at the end of the period/year	2,057	2,849	2,824

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9. Trade and other receivables

	30 September 2012 £'000	30 September 2011 £'000	31 March 2012 £'000
Trade receivables	1,967	1,812	1,459
Allowance for doubtful debts	(97)	(158)	(146)
Prepayments and accrued income	1,403	1,513	1,467
Other receivables	85	154	140
	3,358	3,321	2,920

10. Trade and other payables

	30 September 2012 £'000	30 September 2011 £'000	31 March 2012 £'000
Trade payables	231	107	289
Other taxes and social security	363	448	355
Other payables	185	227	265
Accruals and deferred income	802	1,216	802
	1,581	1,998	1,711



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