

Prime People Plc

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Prime People Plc

Interim Report

for the six months ended 30 June

2005

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Chairman's Statement

Chairman's statement

Prime People Plc reports a loss on ordinary activities before taxation of £41,183 for the six-month period ended 30 June 2005. The profit before tax for the corresponding period in 2004 of £58,851 included an operating profit contribution of £165,767 from Portfolio International Limited ("Portfolio") which was disposed of in July 2004. As a result of the receipt of the proceeds of sale of Portfolio net interest received increased to £67,540 (2004: £19,444).

Following the disposal of Portfolio our only continuing operation is Harper Craven, the professional training company. Despite a reduction in turnover Harper Craven generated profit before tax of £22,782 (2004: £19,708).

Our associate, Cameron Kennedy, is experiencing relatively strong market conditions. However recruitment of new consultants together with the payment of higher bonuses in the period has resulted in our share of its profit remaining similar to the corresponding period in 2004 at £17,701 (2004: £15,770).

Of the administrative expenses charged to the period under review some £155,000 related to the head office and public company costs of Prime People. It is expected that these costs will be approximately £189,000 in the second half of the year.

Net assets at 30 June 2005 were £3.3 million of which £2.8million was cash at bank.

The option exercise price for the options granted to the executive directors on 16 May has been reset to 5.75p being the share price as at that date. The executive directors will be entitled to receive a cash bonus dependent on achieving certain performance criteria and at the absolute discretion of the Board.

Since May, the Board has significantly increased the intensity of its effort to achieve its stated short to medium term strategic aim of identifying acquisitions, which will provide platforms to generate profitable growth and shareholder value.

Richard Lee has today resigned from the Board. Richard is also a director of WH Ireland, our nominated adviser, and it is not possible for him to continue in both roles. I would like to thank Richard for his contribution to the Board over many years.

Peter Hearn
Non-executive Chairman

10 August 2005

Consolidated Profit and Loss Account

for the six months ended 30 June 2005

	Notes	Six months Ended 30 June 2005 Unaudited £	Six months Ended 30 June 2004 Unaudited £	Year Ended 31 December 2004 Audited £
Turnover				
– Continuing operations		307,491	374,883	708,653
– Discontinued operations		–	1,377,640	1,585,895
		307,491	1,752,523	2,294,548
Cost of Sales				
– Continuing operations		(83,827)	(107,052)	(179,571)
– Discontinued operations		–	(7,240)	(7,240)
		(83,827)	(114,292)	(186,811)
Gross Profit		223,664	1,638,231	2,107,737
Administrative expenses		(344,088)	(1,608,594)	(2,197,259)
Group operating (loss)/profit				
– Continuing operations		(120,424)	(136,130)	(283,243)
– Discontinued operations		–	165,767	193,721
		(120,424)	29,637	(89,522)
Share of operating profit in associate		17,701	15,770	87,133
Amortisation of goodwill		(6,000)	(6,000)	(12,000)
(Loss)/profit on ordinary activities before interest		(108,723)	39,407	(14,389)
Profit on disposal of subsidiary		–	–	609,844
Interest receivable and similar income		68,272	19,444	79,530
Interest payable and similar charges		(732)	–	(487)
(Loss)/profit on ordinary activities before taxation		(41,183)	58,851	674,498
Tax on (loss)/profit on ordinary activities 2		–	–	(2,112)
(Loss)/profit on ordinary activities after taxation transferred to reserves 5		(41,183)	58,851	672,386
(Loss)/earnings per ordinary share				
– Basic 4		(0.11)	0.16p	1.82p
– Diluted		(0.11)	0.16p	1.82p

Consolidated Balance Sheet

at 30 June 2005

	Notes	30 June 2005 Unaudited £	30 June 2004 Unaudited £	31 December 2004 Audited £
Fixed assets				
Tangible assets		39,198	57,167	44,028
Investment in associate		423,377	346,314	411,676
		462,575	403,481	455,704
Current assets				
Debtors		245,538	1,000,499	262,052
Cash at bank and in hand		2,808,142	1,275,690	2,835,981
		3,053,680	2,276,189	3,098,033
Creditors: Amounts falling due within one year		(208,353)	(593,875)	(200,903)
Net current assets		2,845,327	1,682,314	2,897,130
Creditors: Amount falling due after one year		(8,748)	–	(12,497)
Net assets		3,299,154	2,085,795	3,340,337
Capital and reserves				
Called up share capital		368,467	368,467	368,467
Share premium account	5	909,925	909,925	909,925
Merger reserve	5	173,077	173,077	173,077
Profit and loss account	5	1,847,685	634,326	1,888,868
Shareholders' funds 6		3,299,154	2,085,795	3,340,337

Consolidated Cash Flow Statement

for the six months ended 30 June 2005

	Notes	Six months ended 30 June 2005 Unaudited £	Six months ended 30 June 2004 Unaudited £	Year ended 31 December 2004 Audited £
Net cash (outflow)/inflow from operating activities	7	(95,503)	203,412	(93,986)
Return on investment and servicing of finance				
Interest received		68,272	19,444	79,530
Interest paid		(732)	–	(487)
		67,540	19,444	79,043
Taxation		–	74,350	74,350
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(3,490)	(19,845)	(37,592)
Sale of tangible fixed assets		899	800	1,800
		(2,591)	(19,045)	(35,792)
Acquisitions and disposals				
Sale of subsidiary undertaking		–	–	1,905,284
Net cash disposal with subsidiary		–	–	(53,986)
		–	–	1,851,298
Net cash (outflow)/inflow before management of liquid resources and financing		(30,554)	278,161	1,874,913
Management of liquid resources				
Sale/(purchase) of deposits		27,700	(229,000)	(1,647,000)
Financing				
Capital element of finance leases		(3,749)	–	(2,501)
(Decrease)/increase in cash	8	(6,603)	49,161	225,412

Notes to the Interim Financial Statements

for the six months ended 30 June 2005

1. Accounting Policies

The interim results have been prepared on the same basis and using the same accounting policies as those used in the preparation of the accounts for the year ended 31 December 2004.

2. Taxation on profit on ordinary activities

	Group	
	2005	2004
	£	£
UK corporation tax	–	–
Share of associate's tax	–	–
	–	–

3. Dividends

The directors recommend that no interim dividend be paid.

4. Loss per share

The loss per share is calculated based on a weighted average number of shares of 36,846,692 (2004: 36,846,692) and the loss of £41,183 (2004: profit of £58,851) giving loss per share of 0.11p (2004: earnings per share of 0.16p).

5. Reserves

	Share Premium Account £	Merger Reserve £	Profit and Loss Account £
At 1 January 2005	909,925	173,077	1,888,868
Transfer from Profit and Loss Account	–	–	(41,183)
At 30 June 2005	<u>909,925</u>	<u>173,077</u>	<u>1,847,685</u>

Notes to the Interim Financial Statements

continued

6. Reconciliation of movement in shareholders' funds

	30 June 2005 Unaudited £	30 June 2004 Unaudited £	31 December 2004 Audited £
(Loss)/profit for the period	(41,183)	58,851	672,386
Goodwill eliminated on disposal of subsidiary	–	–	641,006
Opening shareholders' funds	3,340,337	2,026,944	2,026,945
Closing shareholders' funds	3,299,154	2,085,795	3,340,337

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

	Six months ended 30 June 2005 Unaudited £	Six months ended 30 June 2004 Unaudited £	Year ended 31 December 2004 Audited £
Group operating (loss)/profit	(120,424)	29,637	(89,522)
Depreciation	7,331	24,334	33,784
Loss/(profit) on sale of tangible fixed assets	90	(800)	(1,800)
Decrease/increase in debtors	16,514	47,855	(155,561)
Increase in creditors	986	102,386	119,113
Net cash (outflow)/inflow from operating activities	(95,503)	203,412	(93,986)

Notes to the Interim Financial Statements

continued

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

	Six months ended 30 June 2005 Unaudited £	Six months ended 30 June 2004 Unaudited £	Year ended 31 December 2004 Audited £
(Decrease)/increase in cash in the period	(6,603)	49,161	225,412
Cash outflow from decrease in debt and lease financing	3,749	–	2,501
Cash outflow / (inflow) from increase/ (decrease) in liquid resources	(27,700)	229,000	1,647,000
(Decrease)/increase in net funds resulting from cash flows	(30,554)	278,161	1,874,913
New finance leases	–	–	(22,496)
Opening net funds	2,800,187	947,770	947,770
Closing net funds	2,769,633	1,225,931	2,800,187

9. Analysis of net funds

	At 1 January 2005 £	Cash flow £	At 30 June 2005 £
Cash at bank and in hand	192,981	(139)	192,842
Bank Overdraft	(15,799)	(6,464)	(22,263)
	177,182	(6,603)	170,579
Liquid resources	2,643,000	(27,700)	2,615,300
Finance leases	(19,995)	3,749	(16,246)
TOTAL	2,800,187	(30,554)	2,769,633

Notes to the Interim Financial Statements

continued

10. Nature of the financial information

The interim financial information for the six months ended 30 June 2005, was approved by the board on 9 August 2005.

The financial information set out above does not constitute full accounts within the meaning of Section 254 of the Companies Act 1985. The results for the year to 31 December 2004 are extracts from the published accounts for that year which have received an unqualified audit report and have been filed with the Registrar of Companies.

Copies of the interim results are being sent to shareholders. Further copies can be obtained from the company's registered office at: 7 Bream's Buildings, Chancery Lane, London EC4A 1DT.