

Prime People plc

Proposed acquisition of Macdonald & Company Group Limited

Approval of waiver of the obligation to make a mandatory offer under Rule 9 of the City Code on Takeovers and Mergers

Admission of the Enlarged Share Capital to trading on AIM

1 for 10 Share Capital Consolidation

Notice of Extraordinary General Meeting

Prime People plc (“the Company”), today announces that it has conditionally agreed to acquire the entire issued share capital of Macdonald & Company Group Limited (“Macdonald”), an independent professional recruitment consultancy focused on the commercial property industry.

Key points:

- The maximum aggregate consideration for the acquisition is £10.52 million. This will comprise an initial consideration of £9.52 million to be satisfied by the issue of 7,155,593 New Ordinary Shares at a price of 84.13 pence per share and £3.5 million in cash together with up to a further £1 million by way of deferred consideration of up to 1,188,637 New Ordinary Shares at a price of 84.13 pence per share;
- The market capitalisation of the Enlarged Group on Admission (based on the issue price of the New Ordinary Shares of 84.13p) will be approximately £9.12 million. Following completion of the Proposals, other than the issue of the Deferred Consideration Shares, the Vendors will hold approximately 66 per cent. of the Enlarged Share Capital of the Company;
- Macdonald is the only recruitment consultancy to be approved by the Royal Institution of Chartered Surveyors (“RICS”), the principal professional body representing property professionals worldwide;
- Macdonald has an experienced management team with a strong record of delivering growth;
- For the year ended 31 March 2005, Macdonald reported a 40 per cent. increase in turnover at £11.7 million (2004: £8.4 million) and profit before tax up 44 per cent. at £1.16 million (2004: £0.80 million);

- For the six months ended 30 September 2005, Macdonald reported turnover of £7.4 million and profit before tax of £0.78 million. In the seven months ended 31 October 2005, turnover was 34 per cent above the comparable period in 2004;
- The deferred consideration will be payable in full if the operating profit of Macdonald for the year ending 31 March 2006 is not less than £1.95 million;
- The existing Macdonald Directors, Robert Macdonald, Executive Chairman; Peter Moore, Managing Director; and John Lewis, non-executive Director, will join the Board of Prime People in the same roles.
- Christopher Heyberd, the current Finance Director of Prime People, will continue in his present role and Simon Murphy, currently Chief Executive of Prime People, will become a non-executive Director. Peter Hearn, currently Chairman of Prime People and David Coubrough, currently a non-executive of Prime People will resign from the Board;
- Irrevocable undertakings to vote in favour of the Resolutions have been obtained from shareholders, including Prime People directors, in respect of 18,752,833 Ordinary Shares in aggregate (representing 50.89 per cent. of the Existing Ordinary Shares);
- The acquisition of Macdonald is classified as a reverse takeover under the AIM Rules by virtue of its size and is conditional, inter alia, on the approval of Prime People shareholders which is being sought at an Extraordinary General Meeting at 11.00 a.m. on the 3 January 2006;
- The Company is seeking Shareholder approval at the Extraordinary General Meeting for a waiver of the obligation under Rule 9 of the City Code which would otherwise require the members of the concert party (comprising the Vendors) to offer to acquire those New Ordinary Shares that they do not own;
- Proposed consolidation of every 10 existing issued Ordinary Shares into one New Ordinary Share;
- It is expected that Admission of the New Ordinary Shares will become effective and that dealings in the Enlarged Share Capital will commence on AIM on 4 January 2006;

Commenting on the acquisition, Peter Moore, Managing Director of Macdonald and proposed Managing Director of the Enlarged Group said:

“This transaction marks an exciting next step in the Macdonald story. Macdonald has a great growth record and is undoubtedly a leader in the property recruitment sector. However, I believe we are a long way from fulfilling our full potential as a business. Admission to AIM will significantly increase the profile of the business and will open up a range of new options to help us maintain the growth of the business.”

Simon Murphy, Chief Executive of Prime People said:

“I am delighted that we have been able to deliver on our stated acquisition strategy so quickly. Macdonald meets the criteria we set out in our strategy - a high quality service business with a strong management team, a good record of profits and earnings growth and the potential for further organic and acquisitive growth. I look forward to working with the new team in delivering long term enhanced shareholder value.”

This summary should be read in conjunction with the full text of the announcement.

-Ends-

For further information:

Prime People 0207 831 5297
Simon Murphy / Chris Heayberd

Macdonald
Robert Macdonald 0207 318 5874
Peter Moore 0207 318 5873

WH Ireland 0161 832 6644
David Youngman / Robin Gwyn

Hogarth Partnership 0207 357 9477
James Longfield / Georgina Briscoe

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of publication of the admission document	9 December 2005
Last time and date for receipt of forms of proxy for the EGM	1 January 2006
Extraordinary General Meeting	3 January 2006
Completion date of the Acquisition	4 January 2006
Admission effective and dealings in Enlarged Share Capital expected to commence on AIM	4 January 2006
Expected date for posting of share certificates for the New Ordinary Shares	11 January 2006

ACQUISITION AND SHARE STATISTICS

	<i>Pre Share Capital Consolidation</i>	<i>Post Share Capital Consolidation</i>
Mid market price per Ordinary Share on 7 December 2005 being the most recent practicable date prior to the publication of the Admission document	6.25p	
Number of Existing Ordinary Shares	36,846,692	
Number of Ordinary Shares to be issued to enable the Share Capital Consolidation to take place	8	
Issue price per New Ordinary Share		84.13p
Number of Consideration Shares being issued under the Acquisition		7,155,593
Number of New Ordinary Shares in issue on Admission		10,840,263
Market capitalisation of the Company at the Issue Price on Admission		£9.12m
Maximum number of Deferred Consideration Shares to be issued under the Acquisition		1,188,637
Maximum percentage of the Enlarged Share Capital held by the Vendors the issue of the Consideration Shares		66.01%
Percentage of the issued share capital held by the Vendors following the issue of the Deferred Consideration Shares (assuming the Deferred Consideration Shares are issued in full)		69.37%

9 December 2005

PRIME PEOPLE plc

Proposed acquisition of Macdonald & Company Group Limited Approval of waiver of the obligation to make a mandatory offer under Rule 9 of the City Code on Takeovers and Mergers Admission of the Enlarged Share Capital to trading on AIM 1 for 10 Share Capital Consolidation Notice of Extraordinary General Meeting

Introduction

The Board of Prime People announced today that the Company had agreed conditionally to acquire the entire issued share capital of Macdonald, an independent professional recruitment consultancy to the property industry. The consideration is up to £10.52 million to be satisfied by the issue of 7,155,593 New Ordinary Shares at a price of 84.13 pence per share and £3.5 million in cash together with up to 1,188,637 further New Ordinary Shares by way of deferred consideration at a price of 84.13 pence per share.

The Consideration Shares will represent up to approximately 66.0 per cent. of the Enlarged Share Capital. Existing shareholders of Prime People will together hold approximately 34.0 per cent. of the Enlarged Share Capital. Assuming all the Deferred Consideration Shares are issued, the Consideration Shares and the Deferred Consideration Shares will represent approximately 69.37 per cent. of the then issued share capital of the Company (assuming no further shares have been issued). In view of the size of Macdonald relative to the Company, the Acquisition will constitute a reverse takeover of Prime People under the AIM Rules and will require the prior approval of Shareholders at the Extraordinary General Meeting, notice of which is set out at the end of the Admission document.

Additionally, because the members of the Concert Party (comprising the Vendors) will collectively own more than 30 per cent. of the Enlarged Share Capital as a result of the Acquisition, the Company is seeking a waiver of the obligation under Rule 9 of the City Code which would otherwise require the members of the Concert Party to offer to acquire those New Ordinary Shares that they do not own. A proposal seeking Shareholder approval for such a waiver is, therefore, included in the notice of Extraordinary General Meeting set out at the end of the Admission document. Completion of the Acquisition is conditional, inter alia, on the admission of the Consideration Shares to trading on AIM (subject only to allotment).

If the Resolutions are duly passed at the EGM, and the other conditions set out in the Acquisition Agreement are met, trading of the Existing Ordinary Shares on AIM will be discontinued and the Enlarged Share Capital will be admitted to trading on AIM. Dealings on AIM in the Enlarged Share Capital are expected to commence on 4 January 2006. If the Acquisition is not completed, dealings in the Existing Ordinary Shares on AIM will continue.

Background to and reasons for the Proposals

Since May 2005 the Board, with the support of the major shareholders of the Company, has significantly increased its efforts to develop the Company through the identification of an appropriate acquisition in the support service or industrial sectors. The key characteristics of the target were that it should have strong management and be trading profitably and that it should have the potential to create long term shareholder value as measured by growth in earnings per share and cashflow, with the growth being achieved organically and via complementary acquisitions if appropriate.

The Board believes that Macdonald, with its market position, its reputation as a professional recruitment consultancy to the property sector, its experienced management and its financial performance to date, provides an excellent opportunity to satisfy these criteria and to achieve these objectives.

Information on Macdonald

Introduction

Macdonald is an independent recruitment consultancy operating within the property sector in the recruitment of chartered surveyors and professionals for the property, facilities, construction and related sectors.

Macdonald was incorporated in 1998 and has two trading subsidiaries, Macdonald Property and Macdonald Freelance as well as three dormant subsidiaries.

Activities

Macdonald Property focuses on the recruitment of full time employees for the property industry, undertaking two types of assignments: file search assignments and executive search and selection assignments. The fees for both types of assignment are usually calculated as a percentage of the projected total remuneration of the candidate in the first year of employment.

Recognising growing demand for temporary and contract recruitment, Macdonald has established teams focused on the introduction of contract professional and support staff who are available for both short and long term contracts. This activity is carried on through Macdonald Freelance. Macdonald Freelance charges fees representing the cost of paying the temporary staff, together with a margin.

Macdonald operates from leasehold offices in Dover Street, London and central Manchester.

Specialist sectors

The business of Macdonald has, and continues to develop, specialist teams of consultants focusing on particular roles and clients. This approach seeks to ensure that the client's needs can be more effectively serviced by recommending the most suitable recruitment technique and identifying and attracting the most appropriate candidates.

Consultants work within the following specialist sector teams:

- general practice, including investment, development, management, agency, property finance and rural practice;
- planning, including town and country planning, transport planning, landscape planning, environmental, urban design and regeneration;
- technical, including quantity surveying, building surveying, project management and professional construction staff;
- business support, including accountants, finance staff, secretaries, data entry and receptionists; and
- facilities management, including health and safety, and environmental.

Clients and candidates

Macdonald has a wide variety of clients including consultancies, financial institutions, investment funds, property companies and developers. Macdonald also recruits for a number of professional bodies as well as central and local government and other government agencies.

Macdonald is the only recruitment consultancy to be approved by the Royal Institution of Chartered Surveyors (“RICS”), the leading professional body representing property professionals worldwide. RICS has almost 110,000 members of which 85,000 are based in the United Kingdom. Initiatives undertaken include the annual RICS and Macdonald salary and benefits survey guide to remuneration levels in the property sector.

The large number of people associated with the British Institute of Facilities Management (approximately 9,600 members) and the Royal Town Planning Institute (approximately 8,100 members) also provides Macdonald with an extensive pool of potential candidates.

Macdonald has developed a substantial database of approximately 56,500 candidates. Macdonald aims to meet the majority of the recruitment needs of its clients in terms of both function and seniority through database search, advertised selection and executive search. Macdonald currently has around 2,260 positions that it is seeking to fill for clients. Salaries for these positions are in the range of £25,000 to £150,000 per year.

International

Whilst the majority of Macdonald’s revenue is generated in the UK, the international business of Macdonald is becoming increasingly active in certain geographical markets, in particular where there is an opportunity to service existing clients. Macdonald intends to open an office in Dubai in January 2006 and is investigating the benefit of establishing operations in Hong Kong. Both of these markets are currently being serviced from the UK.

Management and employees

The directors of Macdonald believe that the key determinant to achieving growth within the business is attracting and retaining trained and experienced consultants to win business and identify and place candidates. The average number of people employed by Macdonald (excluding temporary contractors) in the three years and six months ended 30 September 2005 is set out below:

	<i>Year ended 31 March</i>			<i>Six months ended 30 September</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>
Permanent consultants	29	27	35	43
Freelance consultants	5	9	12	12
Support staff and management	14	14	15	16
	<u>48</u>	<u>50</u>	<u>62</u>	<u>71</u>

The directors of Macdonald believe that Macdonald's staff turnover is lower than the industry average and that its levels of staff retention contribute to the continuing development of its business. Key structural features and initiatives to attract and retain employees include:

- the remuneration structure, which includes a high level of commission attainable by higher performers;
- share ownership and the granting of options to employees;
- a commitment to the communication of goals and information to staff through conferences and the dissemination of management information; and
- the career opportunities provided by the growth in the business and open and objective criteria for promotion through Macdonald's grading structure.

Summarised financial information

The following financial information on Macdonald has been extracted without material adjustment from the historical financial information on Macdonald for the three years ended 31 March 2005 and the six months ended 30 September 2005 as set out in Part III (B) of the Admission document. This key financial information should be read in conjunction with the full text of the Admission document and investors should not rely solely on this summarised information.

	<i>Year ended 31 March</i>			<i>Six months ended 30 September</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Turnover	6,562	8,382	11,692	7,429
Gross Profit (Net Fee Income)	3,713	4,213	5,867	3,618
Operating Profit	231	804	1,164	783
Profit on ordinary activities before tax	224	802	1,157	778
Net asset value	512	802	1,127	1,103

Strategy

Macdonald intends to continue to develop current revenue lines by expanding those teams where demand from clients suggests this is appropriate. A particular focus is expected to be placed on facilities management, health and safety and regional opportunities within the UK. It is also planned to develop new teams to focus on property finance, architecture and senior construction professionals.

Macdonald has undertaken research to identify international opportunities and plans to commit resources to exploiting those in the Middle East in early 2006 and in the Far East and Australia thereafter.

Where Macdonald is able to identify acquisition targets of an appropriate size and operational fit it aims to pursue these, particularly those acquisitions which may provide access to additional areas of specialism within the property recruitment sector. Whilst the focus of Macdonald is on the property recruitment sector, the Continuing Directors believe that in due course it may be appropriate to apply the model to certain other sectors.

Information on Prime People

Following the disposal of its then principal business, Portfolio International Limited, a hotel and leisure industry recruitment company, in August 2004, the principal operating business of Prime People is Harper Craven Associates Limited which provides management training. In addition Prime People has a 44.66 per cent. shareholding in Cameron Kennedy Resources Limited which is a financial recruitment company. Since May 2005 the main focus of the Board has been the identification and analysis of acquisition opportunities. Financial information on Prime People is set out in Part IV and Part V of the Admission document.

Principal terms and conditions of the Acquisition

The Vendors and the Company have entered into the Acquisition Agreement, pursuant to which the Company will acquire from the Vendors the entire issued share capital of Macdonald. The aggregate consideration payable by the Company to the Vendors pursuant to the Acquisition Agreement will be £10.52 million and will be payable as follows:

(a) as to £9.52 million on Completion, payable as to £3.5 million in cash and as to £6.02 million by the issue and allotment to the Vendors, credited as fully paid, of the Consideration Shares (at a price of 84.13 pence per share); and

(b) up to £1.0 million by the issue and allotment to the Vendors, credited as fully paid, of the Deferred Consideration Shares following the announcement of the results of the Enlarged Group for the period ending 31 March 2006. The Vendors will be entitled to receive £5.00 of further consideration for every £1 that the operating profit of Macdonald and its subsidiaries for the year ending 31 March 2006 exceeds £1.70 million up to a maximum further consideration of £1.85 million and £2.50 of further consideration for every £1 that such operating profit is greater than £1.85 million up to a maximum further consideration of £1.95 million. Such further consideration will be satisfied by the issue to the Vendors of such number of Deferred Consideration Shares as has an aggregate value calculated at the Issue Price equal to the further consideration.

The £3.5 million cash consideration is to be provided from the existing cash resources of Prime People and an acquisition facility provided by Barclays Bank plc. The Consideration Shares and the Deferred Consideration Shares will, when issued, rank *pari passu* with the New Ordinary Shares already in issue including, without limitation, the right to receive all dividends and distributions declared, made or paid on the New Ordinary Shares by reference to record dates after the dates of issue of the Consideration Shares and the Deferred Consideration Shares.

The Acquisition is conditional upon (inter alia):

(a) the Panel granting a waiver of the obligation which would otherwise fall on the Vendors to make a general offer under Rule 9 of the City Code; and

(b) the shareholders of the Company passing the Resolutions set out in the Notice of EGM other than Resolution 2.

The Acquisition Agreement contains a long-stop date following which the agreement shall terminate should the conditions to completion not be satisfied or waived prior to 31 January 2006.

The Acquisition Agreement contains certain non-competition and other restrictive covenants given by the Proposed Directors.

Upon completion of the Acquisition, each of the Proposed Directors will be appointed as directors of the Company. The service contracts of Robert Macdonald and Peter Moore with Macdonald are being amended to provide for them to become directors of the Company and for John Lewis to enter into a non-executive appointment letter with the Company. Further details are set out in paragraph 6 of Part VII of the Admission document.

Further details of the Acquisition Agreement are set out in paragraph 12 of Part VII of the Admission document.

Directors, Proposed Directors and employees

Directors

The Board currently comprises the following directors in respect of whom brief biographies are set out below:

Peter Hearn (aged 52) Non-executive Chairman

Peter Hearn was appointed to the board in June 1992 and on 16 May 2005 became Non-executive Chairman. He qualified as a chartered accountant with Coopers & Lybrand after graduating from Cambridge in 1974. He then worked in a range of industries before founding the PSD Group plc in 1991, which he floated on the London Stock Exchange in 1997, and of which he is now non-executive chairman.

Simon Murphy (aged 41) Chief Executive

Simon Murphy was appointed Chief Executive of the Company on 16 May 2005. He qualified as a chartered accountant with Coopers & Lybrand. He was, until April 2005, a managing director within the global investment banking division of HSBC.

Christopher Heayberd (aged 53) Finance Director

Christopher Heayberd is a chartered accountant who returned to the Board in June 2000 having spent 4 years as a finance director of PSD Group plc. He has considerable experience as a finance director of both public and private companies.

David Coubrough (aged 49) Non-executive Director

David Coubrough was appointed a Non-executive Director on 30 April 2003, following his resignation as Chief Executive of Prime People. He is an executive director of the Bespoke Hotel Company Limited and a non executive director of four other private companies.

It is proposed that Peter Hearn and David Coubrough will resign from the Board on completion of the Acquisition and that, at the same time, Simon Murphy will step down as Chief Executive and assume a Non executive role.

Proposed Directors

The Proposed Directors are:

Robert J G Macdonald (aged 57) proposed Executive Chairman

Robert has held senior positions within the recruitment industry since 1973 when he founded Reuter Simkin Limited, a recruitment business that grew to become a market leader in both legal and property recruitment. After the sale of Reuter Simkin Limited in 1989, he subsequently acquired shares in and was chairman of, two other recruitment companies. Macdonald commenced trading in 1994 from within the legal recruitment business and was separately incorporated in 1996 when certain key members of the staff acquired equity stakes.

Peter H Moore (aged 36) proposed Managing Director

From 1992 to 1995 Peter Moore worked with Strutt & Parker, qualifying as a chartered surveyor in December 1994. He joined Macdonald in November 1995 and was appointed Managing Director in 1996. As Managing Director of Macdonald, Peter has responsibility for its day-to-day operations. He specialises in advising upon topics such as staff retention issues, merger and acquisition, human resource policy and remuneration benchmarking. He is also responsible for the industry's benchmark salary and benefits survey undertaken annually in conjunction with the Royal Institution of Chartered Surveyors.

John HJ Lewis OBE (aged 65) proposed Non-executive Director

John Lewis is a solicitor and a consultant to Messrs. Eversheds LLP. Previously he served as a partner in Lewis Lewis and Co which merged with Jaques and Co. Jaques and Lewis then merged with Eversheds. He is also currently a director of G R Holdings Plc and various other non-competing 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.

Employees

The Continuing Directors do not intend to make any material amendment to the employment of the Enlarged Group's current employees.

Current trading and prospects of the Enlarged Group

Prime People

The current trading of Prime People is in line with the expectations of the Directors.

Macdonald

The current trading of Macdonald is in line with the expectations of the directors. Turnover in the first seven months of the current financial year is approximately 35 per cent. ahead of the comparable period of the previous year.

Enlarged Group

The Continuing Directors intend to continue to develop the strategy of profitable growth of the Enlarged Group by expanding market share in its existing core markets whilst continuing to enter new but related markets such as architecture.

Dividend policy

Whilst the Enlarged Group will primarily seek to achieve capital growth for shareholders, the Continuing Directors also believe it is appropriate to adopt a progressive dividend policy. The policy will have regard to the capital and strategic requirements of the Enlarged Group and its capital structure. The Continuing Directors anticipate declaring a dividend for the period ending 31 March 2006.

Proposed change of accounting reference date

The Continuing Directors intend to change the accounting reference date of the Company to 31 March in line with that of Macdonald. The first set of audited financial statements for the Enlarged Group will therefore be for the 15 months ending on 31 March 2006.

City Code on Takeovers and Mergers

The terms of the Acquisition give rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protections they afford are described below.

The City Code has not, and does not seek to have, the force of law. It has, however, been acknowledged by both government and other regulatory authorities that those who seek to take advantage of the facilities of the securities markets in the United Kingdom should conduct themselves in matters relating to takeovers in accordance with best business standards and so according to the City Code.

The City Code is issued and administered by the Panel. The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, inter alia, a listed or unlisted public company resident in the United Kingdom (and to certain categories of private limited companies). The Company is such a company and its Shareholders are entitled to the protection afforded by the City Code.

Under Rule 9 of the City Code, a person who acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code is normally required to make a general offer in

cash to all other shareholders of that company to acquire the balance of the shares not held by such a person (or group of persons acting in concert).

In addition, Rule 9 provides that where any person, together with persons acting in concert with him, holds shares in a company which is subject to the City Code carrying not less than 30 per cent. but not more than 50 per cent. of that company's voting rights and such person, or any person acting in concert with him, acquires additional shares which increase his percentage of the voting rights in that company, such person is normally required, in the same way, to make a general offer to all shareholders.

An offer under Rule 9 must be in cash and at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

The Vendors are together deemed to be acting in concert for the purposes of the City Code.

After completion of the Acquisition, and assuming the full Deferred Consideration Shares are issued, the Concert Party's interest will represent, in aggregate approximately 69.37 per cent. of the voting rights attaching to the Company's issued ordinary share capital.

The table below shows the interest of the Concert Party assuming that the Proposals are implemented.

<i>Name</i>	<i>Maximum number of New Ordinary Shares following the issue of the Consideration Shares(1)</i>	<i>Maximum percentage of Enlarged Share Capital following the issue of the Consideration Shares(1)</i>	<i>Maximum number of New Ordinary Shares following the implementation of the Proposals(5)</i>	<i>Maximum percentage of the issued share capital of the Company following the implementation of the Proposals(5)</i>
Robert Macdonald	2,126,832	19.62	2,480,127	20.62
Peter Moore(2)	2,452,946	22.63	2,899,906	24.09
John Lewis	12,096	0.11	14,105	0.12
John Lewis and MC Trust Limited	293,126	2.70	329,320	2.74
Robert Macdonald and Peter Moore (jointly)	439,429	4.05	512,424	4.26
Oliver Wright(3)	439,429	4.05	512,424	4.26
Other members of the Concert Party(4)	1,391,735	12.85	1,597,924	13.28
	<u>7,155,593</u>	<u>66.01</u>	<u>8,344,230</u>	<u>69.37</u>

- (1) Assuming 100 per cent. exercise of vested Macdonald Share Options. All outstanding options are to vest immediately prior to Completion.
- (2) Pursuant to agreements dated 8 December 2005, Peter Moore has agreed, immediately prior to Completion, to sell 1,302 Macdonald B Shares to each of (1) John Lewis and MC Trustees Limited (2) Jeanne Moore and (3) Gordon and Patricia Squires. The table above assumes that the sale of these shares has been completed.
- (3) Oliver Wright joined the business of Macdonald in September 1994. He was appointed a director of Macdonald on 1 October 2002 and resigned as an employee and director in April 2005 to undertake property development work and to prepare for a role in his family's business.
- (4) The other members of the Concert Party comprise 22 employees of Macdonald and three relatives of Peter Moore, none of whom will own 3 per cent. or more of the Enlarged Share Capital.
- (5) Assuming full issue of the Deferred Consideration Shares.

There is no agreement, arrangement or undertaking whereby the beneficial ownership of any of the New Ordinary Shares proposed to be allotted to the members of the Concert Party pursuant to the Acquisition Agreement will be transferred to any other person.

The Panel has agreed, subject to the passing of Resolution 7 at the EGM on a poll, to waive the obligation of the Concert Party to make a general offer under Rule 9 that would otherwise arise as a result of the Proposals.

Shareholders should be aware that, following the Acquisition, the members of the Concert Party will together hold more than 50 per cent. of the voting rights attaching to the Company's issued share capital. Accordingly, the Concert Party, for so long as the members of the Concert Party continue to be treated as acting in concert, may be able to increase its aggregate shareholding without incurring any further obligation under Rule 9 to make a general offer. However, individual members of the Concert Party will not be able to increase their percentage shareholdings through a Rule 9 threshold without Panel consent.

No member of the Concert Party holds any shares in the Company at the date of the Admission document and none of them has dealt for value in any shares in the Company during the 12 months prior to the date of the Admission document.

Save for the service agreements and non-executive letters of appointment, the changes to Christopher Heyberd's service contract and the termination payment to David Coubrough, the Acquisition Agreement and agreements summarised in paragraphs 6, 12 and 13 respectively of Part VII of the Admission document, there are no agreements, arrangements or understandings (including compensation arrangements) between any member of the Concert Party and any of the Directors, Proposed Directors, shareholders or recent shareholders of the Company connected with or dependent upon the Acquisition.

Lock-in Agreements

The Vendors (other than Oliver Wright) have agreed in the Acquisition Agreement not to sell the Consideration Shares or Deferred Consideration Shares until the announcement of the results of the Enlarged Group for the year ending 31 March 2007 unless otherwise agreed in writing by the Company acting by the Non-executive Directors and WH Ireland. Pursuant to a lock-in agreement dated 9 December 2005 between Oliver Wright (1), Prime People (2) and WH Ireland (3), Oliver Wright has agreed to certain orderly market selling arrangements, further details of which are set out in Paragraph 13 of Part VII of the Admission document.

Admission to AIM and dealings in the Enlarged Share Capital

Application will be made by the Company for the New Ordinary Shares to be admitted to AIM on completion of the Proposals. Subject to completion of the Proposals, trading in the Enlarged Share Capital is expected to commence on 4 January 2006.

If the Acquisition is not approved and Resolution 7 is not passed at the EGM, the Existing Ordinary Shares will continue to be traded on AIM, the Consideration Shares and the Deferred Consideration Shares will not be issued or admitted to AIM, the Share Capital Consolidation will not take place, the Proposed Directors will not be appointed to the Board and the Board will remain as currently constituted.

Proposed share consolidation

Subject to the approval of shareholders at the EGM, the Directors propose to simplify the Company's capital structure by the consolidation of every 10 issued Ordinary Shares into one New Ordinary Share. This will reduce the total number of shares in issue and is expected to produce a more appropriate trading range for the Company's share price. The number of Ordinary Shares in issue is not divisible by 10 and, immediately prior to the Share Capital Consolidation, it will be necessary for the Company to issue eight further Ordinary Shares to bring the total number of Ordinary Shares in issue to 36,846,700 so as to enable the Share Capital Consolidation to be implemented. For administrative purposes only, these eight shares will be issued to SH Company Secretaries Limited, a company owned by the Company's solicitors and which currently holds no shares in the Company. On the Share Capital Consolidation, SH Company Secretaries Limited will become entitled to a fraction of a 10p share as a result of these eight shares and this fractional element will be dealt with as set out below.

On the Share Capital consolidation, where the number of Existing Ordinary Shares held by a shareholder is not divisible by 10, that shareholder would become entitled to a fraction of a 10p share. In order to deal with fractional entitlements in the simplest possible way, it is proposed that all fractions of shares resulting from the consolidation will be aggregated and sub-divided and the resulting New Ordinary Shares sold in the market at the best price reasonably obtainable. For administrative convenience, as the proceeds of such sales to which any shareholder is entitled are expected to be less than £3.00 such proceeds will be applied for the benefit of the Company instead of being sent to the shareholder.

Extraordinary General Meeting

You will find set out at the end of the Admission document a notice convening the Extraordinary General Meeting of the Company to be held at 11.00 a.m. on 3 January 2006 at the offices of Stephenson Harwood, One St. Paul's Churchyard, London EC4M 8SH, to consider Resolutions:

- (a) to give effect to the Share Capital Consolidation;
- (b) to amend the articles of association of Prime People in order to extend the scope of the directors' indemnity provisions and in order to clarify the right of shareholders to hold shares in uncertificated form;
- (c) to approve the Acquisition;
- (d) to increase the authorised share capital of Prime People in order to create sufficient shares to, *inter alia*, permit the issue of shares in accordance with the terms of the Acquisition;
- (e) to grant authority to the board of directors of the Company to allot unissued shares up to a maximum aggregate nominal amount of £1,230,000;
- (f) to dis-apply statutory pre-emption rights to permit the issue of shares for cash up to a maximum aggregate nominal amount of £54,200, representing 542,000 New Ordinary

Shares, being approximately 5 per cent. Of the Enlarged Share Capital, to persons other than existing Shareholders of the Company as if free of any right of pre-emption;

(g) to waive the obligation that would otherwise exist on the Concert Party to make a mandatory offer for the entire issued share capital of Prime People pursuant to Rule 9 of the City Code; and

(h) to appoint the Proposed Directors as stated in the Notice of EGM.

In accordance with the requirements of the Panel, Resolution 7 will be taken by Independent Shareholders on a poll.

Intentions of Directors, major Shareholders and connected persons

The following irrevocable undertakings to vote in favour of the Resolutions have been given by Mrs. M. Lee, City of London PR Group plc, J.W. Greenhalgh, Simon Murphy, Christopher Heayberd and Mrs. David Coubrough in respect of all the Ordinary Shares held by them amounting to 18,752,833 Ordinary Shares in aggregate (representing 50.89 per cent. of the Existing Ordinary Shares):

	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>
Mrs M. Lee	8,999,633	24.42
City of London Group plc	4,294,553	11.65
Simon Murphy	2,300,000	6.24
Christopher Heayberd	1,992,384	5.41
J.W. Greenhalgh	1,116,263	3.03
Mrs David Coubrough	50,000	0.14
	<u>18,752,833*</u>	<u>50.89</u>

* 1,875,283 New Ordinary Shares following the Share Capital Consolidation.

Recommendation of the Directors

The Directors, who have been so advised by WH Ireland, consider the terms of the Proposals to be fair and reasonable and in the best interests of the Company and Shareholders as a whole. In providing advice to the Board, WH Ireland has taken into account the Directors' commercial assessments. Accordingly, the Directors unanimously recommend Shareholders to vote in favour of the Resolutions as they themselves (and the Shareholders connected with them) have irrevocably undertaken so to do in respect of an aggregate of 4,342,384 Ordinary Shares, representing 11.79 per cent. of the Existing Ordinary Shares.

Directors' and Proposed Directors' service arrangements

1 The Proposed Directors entered into service agreements with Macdonald Property on 1 April 2005, details of which are set out below:

(a) The contract between Robert Macdonald and Macdonald Property provides for Robert Macdonald to act as the part time executive chairman and director of the board of Macdonald Property at a salary of £86,250 per annum. The contract has no fixed term and is terminable by 12 months' notice in writing from either party. Under the contract Robert Macdonald is entitled to 18 working days' paid holiday per annum, medical insurance and critical illness insurance. He is subject to certain covenants for a period of 6 months following termination of his employment including: non-compete and non-solicitation. He is also subject to a confidentiality undertaking. He is entitled to participate in the company's discretionary bonus scheme. Any bonus payment is at the absolute discretion of the company and subject to the approval of the Remuneration Committee.

(b) Macdonald Property has entered into a service agreement with Peter Moore on terms identical to those set out in paragraph (a) above save that Peter Moore was appointed as managing director at a salary of £138,000 per annum, is entitled to 30 working days paid holiday per annum and works full time. He is entitled to participate in the company's discretionary bonus scheme. Any bonus payment is at the absolute discretion of the company and subject to the approval of the Remuneration Committee.

(c) The contract between John Lewis and Macdonald Property provides for John Lewis to act as a non executive director of Macdonald Property with a directors' fee of £5,000 per annum and a service fee of £18,000 per annum payable to Blakeney Holdings Limited. The contract is for a minimum two year fixed term and is terminable by 12 months' written notice from either Blakeney Holdings Limited or Macdonald. Mr. Lewis has covenanted not to introduce business to any other person or entity with which any company in the Macdonald Group deals during this service agreement. He is also subject to a confidentiality undertaking. Blakeney Holdings Limited is also a party to the service agreement and may substitute or replace Mr. Lewis as the provider of services.

2. It is proposed that Robert Macdonald and Peter Moore enter into new service agreements with Prime People on completion of the Acquisition, on substantially the same terms as those set out in paragraphs (a) and (b) above save that their new agreements will not contain any provisions regarding bonuses. John Lewis is to enter into a non-executive director appointment letter with Prime People on Completion. Under the non-executive appointment letter, he will be appointed for an initial term of one year from Completion and paid a fee of £15,000 per annum. The appointment may be terminated earlier by either party on three months' notice. The new service agreements and appointments letter will replace those listed in paragraphs (a), (b) and (c) above in their entirety.
3. The contract dated 18 May 2005 between Christopher Heyberd and Prime People provides for Christopher Heyberd to act as Finance Director of Prime People at a salary of £85,000 per annum. The contract has no fixed term and is terminable by 6 months' notice in writing from either party. Under the contract Christopher Heyberd is entitled to 30 working days holiday per annum and medical insurance. He is subject to the following covenants for a period of 6 months following termination of his employment: non-compete and non-solicitation of Prime People employees or clients. He is also subject to a confidentiality undertaking. Conditional upon completion,

Christopher Heayberd's service contract is to be amended to increase his notice period to 12 months and to increase his salary to £100,000 per annum, to be reviewed by the Company on 1 April 2006 and annually thereafter.

4. The contract dated 16 May 2005 between Simon Murphy and Prime People provides for Simon Murphy to act as Chief Executive of Prime People at a salary of £100,000 per annum. The contract has no fixed term and is terminable by six months' notice in writing from either party. Under the contract Simon Murphy is entitled to 30 working days holiday per annum and medical insurance. He is subject to the following covenants: noncompete and non-solicitation of Prime People employees or clients. He is also subject to a confidentiality undertaking.

Simon Murphy is to step down as Chief Executive on completion of the Acquisition but will remain as a director in a non-executive capacity. He will receive normal salary and benefits up to that date. He will receive his contractual entitlement of £50,000 less tax and employees' National Insurance as payment in lieu of notice.

On Completion Simon Murphy will enter into a non-executive director appointment letter under which he will be appointed for an initial term of one year from Completion and paid a fee of £15,000 per annum. The appointment may be terminated earlier by either party on three months' notice.

Simon Murphy entered into an amended share option agreement confirming that the exercise price per share of the share options held by him be adjusted to 5.75p in exchange for a discretionary bonus scheme being implemented. The Company has agreed to a payment of £90,934. He will agree not to exercise the share options prior to 17 May 2007 notwithstanding that the share options will become exercisable on the change of control of the Company on completion of the Acquisition. He has acknowledged that the one for ten share consolidation of the Company will result in the total number of ordinary shares subject to his share options being reduced to 184,233 and the exercise price of his share options increasing to 57.5p per share.

5. Each of the agreements referred to above, other than pre-existing service agreements referred to in paragraphs 1 (a) to (c), 3 and 4, is, and the changes to Christopher Heayberd's contract are, conditional on Admission.
6. Save as set out above, there are no existing or proposed service contracts between any Directors or Proposed Directors and the Company or any subsidiary of the Company and there are no such service contracts which have been entered into or amended within six months of the date of this document or which contain any provision for compensation payable for early termination of the contract or contain any commission or profit sharing arrangements.

DEFINITIONS

The following words and expressions shall have the following meanings in the Admission document, unless the context otherwise requires:

“Acquisition” the proposed acquisition by the Company of the entire issued share capital of Macdonald pursuant to the

Acquisition Agreement

“Acquisition Agreement”	the agreement dated 9 December 2005 between the Vendors (1) and the Company (2) pursuant to which the Company has agreed conditionally to acquire the entire issued share capital of Macdonald, further details of which are set out in paragraph 12 of Part VII of the Admission document
“Act”	the Companies Act 1985, as amended
“Acting in concert”	shall have the meaning ascribed thereto in the City Code
“Admission”	the admission of the New Ordinary Shares (including the Consideration Shares) to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange applicable to AIM
“Articles” or “Articles of Association”	the Company’s articles of association from time to time
“Board”	the board of directors of the Company
“City Code”	the City Code on Takeovers and Mergers
“Combined Code”	the Principles of Good Governance and the Code of Best Practice, as set out in an appendix to the Listing Rules
“Company” or “Prime People”	Prime People plc
“Completion”	Completion of the Acquisition in accordance with its terms
“Concert Party”	the Vendors

“Consideration”	up to £10.52 million, to be satisfied by the issue of the Consideration Shares and the Deferred Consideration Shares (at a price of 84.13 pence per share) and the payment of an aggregate amount of £3.5 million in cash to the Vendors pursuant to the Acquisition Agreement.
“Consideration Shares”	the 7,155,593 New Ordinary Shares to be issued to the Vendors on completion of the Acquisition, credited as fully paid, pursuant to the Acquisition Agreement, at the Issue Price
“Continuing Directors”	the Proposed Directors, Simon Murphy and Christopher Heayberd
“Control”	shall have the meaning ascribed thereto in the City Code
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited
“CREST Member”	a person who has been admitted by CRESTCo Limited as a system member (as defined in the Regulations)
“CREST Participant”	a person who is, in relation to CREST, a system participant (as defined in the Regulations)
“Deferred Consideration Shares”	up to 1,188,637 New Ordinary Shares to be issued and allotted to the Vendors as part of the Consideration subject to the achievement by Macdonald, Macdonald Property and Macdonald Freelance, of certain levels of operating profit for the year ending 31 March 2006
“Directors”	the current directors of the Company, whose names appear on page 3 of the Admission document
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at the offices of Stephenson Harwood, on 3 January 2006, notice of which is set out at the end of the Admission document
“Enlarged Group”	Prime People and Macdonald and their subsidiaries together after completion of the Acquisition
“Enlarged Share Capital”	the entire issued ordinary share capital of Prime People upon Admission as enlarged by the issue of the Consideration Shares

“Excluded Territories”	Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa and their respective territories or possessions
“Existing Ordinary Shares”	36,846,692 Ordinary Shares in issue at the date of this document
“Form of Proxy”	the form of proxy for use at the EGM which accompanies the Admission document
“Independent Shareholders”	those shareholders of Prime People considered to be independent for the purposes of approving the waiver to make a mandatory offer under Rule 9 of the City Code
“Issue Price”	84.13p per New Ordinary Share
“Listing Rules”	the listing rules (as amended from time to time) made by the UK Listing Authority
“London Stock Exchange”	London Stock Exchange plc
“Macdonald”	Macdonald & Company Group Limited, a company incorporated in England and Wales under company number 03670901
“Macdonald Directors”	Robert Macdonald, Peter Moore and John Lewis
“Macdonald Freelance”	Macdonald & Company Freelance Limited, a wholly owned subsidiary of Macdonald Property
“Macdonald Property”	Macdonald & Company Property Limited, a wholly owned subsidiary of Macdonald
“Macdonald Shares”	ordinary A and B shares of 1p each in the share capital of Macdonald
“Macdonald Share Options”	EMI options over 4,100 ordinary A shares of 1p each in the share capital of Macdonald granted by Macdonald to certain of its employees, each with a vesting date of 30 September 2006
“New Ordinary Shares”	Ordinary Shares of 10p each in the capital of the Company following the Share Capital Consolidation
“Notice of EGM”	the notice of Extraordinary General Meeting which is set out at the end of the Admission document
“Official List”	the Official List of the UKLA

“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Panel”	the Panel on Takeover and Mergers of the United Kingdom
“Prime People EMI Scheme”	the EMI employee share option scheme adopted by Prime People, details of which are set out in paragraphs 5.2 and 8 of Part VII
“Prime People Group”	the Company and its subsidiaries
“Proposals”	the Acquisition, the Waiver, the Share Capital Consolidation and Admission, as described in the Admission document
“Proposed Directors”	Robert Macdonald, Peter Moore and John Lewis
“Regulations”	the Uncertificated Securities Regulations 2001
“Resolutions”	the resolutions set out in the Notice of EGM and reference to a “Resolution” shall be the relevant resolution set out in the Notice of EGM
“Share Capital Consolidation”	the consolidation of every 10 Ordinary Shares into 1 New Ordinary Share
“Shareholders” or “Members”	holders of Ordinary Shares
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UKLA” or “UK Listing Authority”	the United Kingdom Listing Authority of the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“Vendors”	the shareholders of Macdonald and the holders of Macdonald Share Options, as listed in paragraph 9.4 of Part VII of the Admission document
“Voting rights”	means all voting rights attributable to the share capital of the Company which are currently exercisable at a general meeting

“Waiver”

the waiver to be granted, subject to the passing of Resolution 7 on a poll of Independent Shareholders at the EGM, by the Panel of the obligation of the Concert Party (or any member thereof) which would otherwise arise under Rule 9 of the City Code upon Completion to make a mandatory cash offer for the New Ordinary Shares not already owned by the Concert Party (or the relevant member thereof) on or after Admission, as further described in Part I of the Admission document

“WH Ireland”

WH Ireland Limited