

## Prime People Plc

### Chairman's statement

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#### Introduction

I am pleased to report the results for Prime People Plc for the year ended 31 March 2010, which show profit before tax of £0.46 m compared to £0.73m in 2009.

As was reported at the time of the publication of the Group's Interim Results, we had taken action to rationalise our management and organisation to reflect the level of business we expected to do in the remainder of the financial year and in order to position the Group to be profitable in the second half of the year. Shareholders will recall that the first half showed an operating loss of £46k before deduction of non-recurring items of £116k and that this contrasted favourably with the immediately preceding half year when the group recorded operating losses of £263k. As can be seen from these results, further positive progress has been made in the second half where profit before tax of £624k was recorded, confirming our stated expectation of a profitable second half.

#### Statutory Results

The Statutory results are set out in full in the financial statements and commented upon in the financial review.

The table below provides the main elements of the Group's performance for the year ended 31 March 2010.

	<b>Year ended 31 March 2010 £'000 Actual</b>	<b>Year ended £'000 Actual</b>
<b>Gross fee income</b>	<b>14,180</b>	20,668
Direct Costs	<u>(7,507)</u>	<u>(10,255)</u>
<b>Net fee income</b>	<b>6,673</b>	10,413
Admin Expenses	<u>(6,212)</u>	<u>(9,663)</u>
<b>Operating profit</b>	<b>461</b>	750
Net interest	<u>1</u>	<u>(23)</u>
<b>Profit before tax</b>	<b>462</b>	727
Taxation at 28% (2009:28%)	<u>(129)</u>	<u>(190)</u>
<b>Profit after tax</b>	<b>333</b>	537
<b>Fully diluted EPS</b>	<b>2.71p</b>	4.18p
<b>Basic EPS</b>	<b>2.79p</b>	4.47p

Prime People includes the trading businesses of Macdonald & Company, Prime Insight and Harper Craven Associates

## Prime People Plc

### Chairman's statement (continued)

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#### Macdonald & Company

Macdonald & Company remains our largest business providing executive and professional recruitment services to the built environment sector in the UK and internationally. In line with others in our sector we have seen a decrease in revenue and profit over the past year. Net fee income ("NFI") decreased by 38 per cent from £9.9m in 2009 to £6.1m in 2010. Details of the split between temporary and permanent net fee income is shown below:

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Net fee income – contract & temporary	1,467	2,570
Net fee income - permanent		
- UK	2,606	4,138
- Other	2,017	3,192
Total net fee income	<u>6,090</u>	<u>9,900</u>

#### Prime Insight

Prime Insight which started trading in August 2008 provides recruitment consultancy that deals exclusively with recruitment of Customer Insight, Market Research and Data Analysis professionals and in its first full year of trading made a profit before tax of £48k.

#### Harper Craven

Harper Craven, which has been in the group for a number of years, provides bespoke sales, marketing and management training and coaching programmes to a broad range of corporate clients. It has made a small loss of £1k before tax compared to a profit of £53k in 2009.

#### Dividend

The Group's focus on cash management resulted in a significant increase in the Group's cash position in the second half. As at 31 March 2010, the Group had net cash of £2.3 million compared to £1.79 million as at 31 March 2009 and the Board, having taken account of the prevailing economic conditions and the forecast need for working capital, decided that it was appropriate to declare an interim dividend of 2 pence per ordinary share. The working capital required to accomplish the planned future activity of the Group, as explained below, is adequately provided for and this has allowed the Board to propose a final dividend of 1.5 pence per ordinary share. This will be paid on 9 July 2010 to shareholders on the register on 25 June 2010 and brings the total dividend paid to shareholders for this year to 3.5 pence per ordinary share.

## **Prime People Plc**

### **Chairman's statement** *(continued)*

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#### **Future Activity**

In the immediate future the Group will continue to concentrate on managing its established businesses to be profitable and ready to exploit cyclical opportunities that present themselves.

The success of the Prime Insight start-up and incubation provides a model for the use of the Group's solid platform from which to grow new recruitment businesses. Since the year-end, the Group has established a new business in Sustainability Recruitment, serving professionals in the energy, environmental, and corporate responsibility sectors. Recruitment consultants experienced in the sectors have been recruited to operate this new business from our London and UAE offices from the beginning of Q2 and our Hong Kong office from Q4 of our current financial year.

We continue actively to look for new opportunities, similar to Prime Insight and Sustainability Recruitment, which are culturally aligned with group companies and where the Group's core operational strength and office network will provide rapid market penetration.

#### **Outlook**

As referred to above, at Future Activity, the Group has embarked on expansion into new revenue areas by utilising its strong operational platform and overseas offices. Such activity is planned to be profit neutral as a minimum in the year.

The level of visibility on the upside for the Group is still generally difficult to assess, although our Asia operations are showing increasing promise and have performed well ahead of budget in the year to date. Since the year-end the Group has continued to trade profitably and, subject to there being no further significant economic shocks in the UK or the other regions in which the group operates, we expect to have a successful full year.

#### **Our people**

Finally, I should once again like to thank our staff for their hard work and commitment over the last twelve months and remind shareholders that these results are a testament to their efforts in testing times.

Robert Macdonald  
**Executive Chairman**

**3 June 2010**

## **Prime People Plc**

### **Financial Review**

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The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

#### **Trading Results**

Gross fee income for the year from continuing operations decreased by 31.4 per cent to £14.18m (2009: £20.67m).

Net fee income decreased by 35.9 per cent to £6.67 m (2009: £10.41m).

The group considers net fee income to be the key indicator of the performance of the business and is defined as the income generated from permanent placements together with the contribution earned from contract and temporary staff.

Administrative expenses including non recurring redundancy costs of £0.12m, totalled £6.21m which represents 93.1 per cent of net fee income (2009: £9.66m: 92.8 per cent). Profit before tax decreased by 36.9 per cent to £0.46m (2009: £0.73m).

The taxation charge is £0.13m on a profit on ordinary activities before taxation of £0.46m which gives an overall tax rate of 28 per cent (2009: 26 per cent). The reasons for the difference from the standard UK corporation tax rate of 28 per cent are detailed in note 9 of the accounts.

#### **Earnings Per Share**

The continuing diluted earnings per share is 2.71p (2009: 4.18p)

#### **Dividend**

As outlined in the Chairman's statement, the directors propose a final dividend of 1.5 pence which will be paid on 9 July 2010 to shareholders who are on the register on 25 June 2010 making a total dividend paid to shareholders for the year to 3.5 pence per ordinary share.

#### **Treasury Management**

Net cash inflow of £859k (2009: inflow of £3,187k) was generated from operating activities during the year which after net taxation payments of £27k (2009: net taxation payment of £631k) resulted in a net cash inflow from operating activities of £831k (2009: inflow of £2,556k).

The group operates a centralised treasury function with a net cash position at 31 March 2010 of £2.3m compared to a net cash position of £1.79m at 31 March 2009.

Christopher Heayberd  
**Finance Director**

**3 June 2010**

## **Prime People Plc**

### **Directors and Advisers**

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#### **Directors**

R J G Macdonald (Executive Chairman)  
P H Moore (Managing Director)  
C I Heayberd (Finance Director)  
J H J Lewis OBE (Non-Executive)  
S J Murphy (Non-Executive)

#### **Secretary and registered office**

C I Heayberd, 40a Dover Street, London, W1S 4NW.

#### **Registered number**

1729887

#### **Stockbrokers & Nominated Advisers**

Centos Securities Plc, 6.7.8 Tokenhouse Yard, London, EC2R 7AS

#### **Solicitors**

Howard Kennedy, 19 Cavendish Square, London, W1A 2AW.

#### **Auditors**

Horwath Clark Whitehill LLP, Aquis House, 49-51 Blagrove Street, Reading, Berkshire, RG1 1PL

#### **Principal bankers**

Barclays Bank plc, Corporate Banking, 1 Churchill Place, London E14 5HP

#### **Registrars**

Neville Registrars Limited, Neville House, Laurel Lane, Halesowen, West Midlands, B63 3DA.

## Prime People Plc

### Report of the directors for the year ended 31 March 2010

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The directors present their annual report together with the audited financial statements for the year ended 31 March 2010.

#### Principal activity, business review and future developments

The principal activity of the Group during the year was the provision of recruitment and training services.

The Company is required to present in this report a review of the development and performance of the group's business for the financial year and of its position at the year end, along with a description of the principal risks and uncertainties facing the group. This information is contained within the Chairman's statement on pages 1 to 3 and the Financial Review on page 4.

#### Results

The consolidated profit on ordinary activities after taxation amounted to £333k (2009: £537k).

#### Dividends

An interim dividend of 2.0 pence per ordinary share was paid on 31 March 2010 to those shareholders on the register at 26 March 2010 (2009: Nil pence) and a final dividend of [1.5 pence] per ordinary share will be paid on 9 July 2010 to those shareholders on the register on 25 June 2010 (2009: Nil pence).

#### Directors and directors' interests

The directors who held office during the year were as follows:

R J G Macdonald	(Executive Chairman)
P H Moore	(Managing Director)
C I Heayberd	(Finance Director)
J H J Lewis	(Non-executive)
S J Murphy	(Non-executive)

The directors who held office at the end of the financial period had the following interests, all of which are beneficial, in the ordinary shares of Prime People Plc, as recorded in the register of directors' share interests:

	Ordinary shares of 10p each 31 March 2010	Ordinary shares of 10p each 31 March 2009
R J G Macdonald	2,480,000	2,480,127
P H Moore	2,897,500	2,897,906
C I Heayberd	199,000	199,238
J H J Lewis	1,180,500	1,180,849
S J Murphy	230,000	230,000

Details of directors' share options are given in the Remuneration Report on page 18.

Other than to reflect the changes arising from the share capital reorganisation completed on 8 July 2009 there have been no changes to the directors' interests in the ordinary share capital of Prime People Plc between 31 March 2010 and 16 May 2010.

## **Prime People Plc**

### **Report of the directors for the year ended 31 March 2010 (Continued)**

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#### **Directors' biographies**

##### **Robert Macdonald 62 - Executive Chairman**

Robert has held senior positions within the recruitment industry since 1973 when he founded Reuter Simkin Ltd, a recruitment business in both the legal and property sectors. After the sale of Reuter Simkin in 1989, he acquired shares in and was chairman of, two other recruitment companies including Straker Simkin which acquired the legal business of Reuter Simkin in the West of England from PSD in 1992 and traded as Macdonald & Company. In 1994, he established Macdonald & Company as a specialist property recruitment agency in London. Macdonald & Company was incorporated separately in 1996 when certain key members of staff, including Peter Moore, acquired equity stakes.

##### **Peter Moore MRICS 40 - Managing Director**

Peter worked with Strutt & Parker from 1992 to 1995, qualifying as a Chartered Surveyor in 1994. He joined Macdonald & Company in November 1995 and was appointed Managing Director in 1996. As MD of Macdonald & Company, Peter has responsibility for its day-to-day operations. He has introduced operational tools such as customer relationship management, anonymous staff surveys, staff working groups, objective grading systems for staff and highly incentivising remuneration schemes. He specialises in advising on topics such as staff retention, mergers and acquisitions, human resource policy and remuneration benchmarking. He is also responsible for the industry's benchmark salary and benefits survey undertaken annually in conjunction with RICS.

##### **Christopher Heayberd BA ACA 57 - Finance Director**

Christopher qualified as a Chartered Accountant in 1980 and since that date has held a number of financial positions in a broad range of industries. Since 1989 his main focus has been the business services sector. This included 4 years as Finance Director of PSD Group plc, during which time the company was admitted to trading on the London Stock Exchange. Christopher rejoined the Board of Prime People in June 2000 and for a period of five years combined the role of Finance Director with other business interests. In May 2005 he returned full time to the Board.

##### **John Lewis OBE LLB (Hons) 69 - Non-executive director**

John is a consultant to Eversheds LLP (solicitors). Previously he served as a partner in Lewis Lewis and Co which became part of Eversheds after a series of mergers. John is currently a director of Photo-Me International Plc, AIM listed G R (Holdings) Plc and several 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.

##### **Simon Murphy BSc ACA 45 - Non-executive director**

Simon qualified as a Chartered Accountant with Coopers & Lybrand. Until April 2005 he was a Managing Director in the global investment banking division of HSBC. He was Chief Executive of Prime People from May 2005 until the acquisition of Macdonald & Company Group Ltd.

## Prime People Plc

### Report of the directors for the year ended 31 March 2010 (Continued)

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#### Substantial shareholders

The following shareholders held interests of 3 per cent or more of the nominal value of the issued ordinary share capital of the Company, as recorded in the register of substantial share interests at 16 May 2010.

	Number of 10p ordinary shares	Percent of issued share capital %
Peter Moore	2,897,500	24.26
Robert Macdonald	2,480,000	20.77
John Lewis	1,180,550	9.89
Peter Hearn	719,500	6.02
The Cayzer Trust Company Limited	439,500	3.68
City of London PR Group	429,000	3.59

Except for the interests disclosed above, the directors are not aware of any other interests (direct or indirect) of 3 per cent or more of the issued ordinary share capital of the Company.

The mid market quotation of the Company's shares at close of business on 31 March 2010 was 43p. The highest and lowest mid market quotations in the period from 1 April 2009 to 31 March 2010 were 47p and 15p.

#### Share Capital Reorganisation

At an Extraordinary General Meeting held on 7 July 2009 shareholders gave their approval for the Company to consolidate every 500 Ordinary Shares into one consolidated ordinary share. Following the Consolidation, resulting fractions of the Consolidated Ordinary Shares were aggregated and sold by the Board of Directors of the Company with the proceeds being remitted to the relevant shareholders. Cash payments of less than GBP3.00 were not distributed to holders of Ordinary Shares but were instead aggregated and held for the benefit of the Company. Following the consolidation and the sale of the fractional entitlements, it was further approved by shareholders that every Consolidated Ordinary Share be subdivided into 500 new ordinary shares of 10p par value. The subdivision took effect on 8 July 2009

The effect of the proposed capital reorganisation was that shareholders holding fewer than 500 Ordinary Shares on 7 July 2009 (the "Record Date") received a cash payment equivalent to the market value of their shares, as represented by the closing middle market price (derived from the Official List of the UK Listing Authority) on AIM on 8 June 2009 of 21 pence for each Ordinary Share which they held.

Holders of 500 or more Ordinary Shares on the Record Date likewise received a cash payment equivalent to the closing middle market price on AIM on 8 June 2009 for the number of their Ordinary Shares as became a fraction of a Consolidated Ordinary Share when their holding was divided by 500. These shareholders retained the balance of their shareholding.

Immediately following the Capital Reorganisation the new Ordinary Shares were admitted to trading on Aim at 8.00am on 8 July 2009

## **Prime People Plc**

### **Report of the directors for the year ended 31 March 2010 (Continued)**

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#### **Policy and practice on payment of creditors**

The Group agrees payment terms with each of its major suppliers and seeks to abide by these terms, subject to satisfactory performance by the supplier. Trade creditors for the Group at the year end represent 30 days average purchases (2009: 30 days). The Company makes no trade purchases.

#### **Personnel policies**

The Group gives consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person.

The Group has embraced the Government's policy on Stakeholder Pensions and made available schemes open to all employees.

During the year, the policy of providing employees with information about the Group has been continued and employees have been encouraged to present their own suggestions and views.

#### **Environmental policy**

The Group recognises its responsibilities for the environment and gives due consideration to the possible effects of its activities on the environment. The Group's activities have a minor effect on the environment. However it is the Group's aim to reduce the environmental impact of its activities and to operate in an environmentally responsible manner. The Group is committed to the following principles to ensure the business operates in an environmentally sensitive manner:

- Encouraging the re-use and re-cycling of products
- Ensuring efficient use of materials and energy
- Purchasing environmentally friendly materials where appropriate.

#### **Political and Charitable Donations**

The group made charitable donations of £3,184 (2009: £7,202). The group made no political donations during the year (2009: £Nil).

#### **Risk Factors**

i) **Dependence on Key Personnel**

The future success of the Group is dependant on the continued service of senior management and key personnel. The loss of the services of the executive officers of the Group and other key personnel could have a material effect on the business.

ii) **Competition**

The Directors believe that the Group is well positioned in its chosen markets. Whilst the Group will seek to continue to improve its competitive positions, the actions of current or indeed potential competitors may adversely affect the Group's business.

iii) **Strength of Key Markets**

The market for recruitment services is currently weak and it is difficult to predict how the market will develop over the foreseeable future. A further decline in the recruitment market could have a material adverse effect on profitability and cash flows of the business.

## **Prime People Plc**

### **Report of the directors for the year ended 31 March 2010** *(Continued)*

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iv) Foreign currency risk management

The Group's international operations account for approximately 15 per cent of gross fee income and less than 10 per cent of the Group's assets and consequently the Group has a degree of translation exposure in accounting for overseas operations and its policy is not to hedge against this exposure. The group seeks to minimise this exposure by converting into sterling all cash balances in foreign currency that are not required for short term working capital monetary needs.

v) Treasury policies and financial risk

Surplus funds are intended to support short term working capital requirements. These funds are invested through the use of short term and period deposits, with a policy of maximising fixed interest returns as well as providing the flexibility required to fund on-going operations. It is not a Group policy to invest in financial derivatives.

Although the financial risks to which the group is exposed are considered to be minimal at present, future interest rate, liquidity and foreign currency risks could arise and the Board will review its existing policies in the coming period.

vi) Credit risk management

Credit risk refers to the credit risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The principal credit risk arises from the Group's trade receivables. Ongoing credit evaluation is performed on the financial condition of accounts receivable based on payment history and third party credit references.

vii) Liquidity risk management

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Surplus funds are invested on a short term basis at money market rates and therefore such funds are available at short notice.

viii) Capital risk management

The Group manages capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to stakeholders through optimisation of the debt and equity balance.

### **Going concern**

At 31 March 2010, the Group's statement of financial position showed net shareholders' funds of £13.5m (2009: £13.5m). In forming their views, the Directors have prepared cash flow forecasts for a 1 year period following the balance sheet date. Based on these forecasts, the Directors have confirmed that there are sufficient cash reserves to allow the business to continue to operate. After reviewing these forecasts, consideration of the Group's cash resources and other appropriate enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

## **Prime People Plc**

### **Report of the directors for the year ended 31 March 2010 (Continued)**

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#### **Directors' and officers' liability insurance**

The Company maintains liability insurance for the directors and officers of the Company and its subsidiaries.

#### **Ordinary and Special business for the annual general meeting**

The notice of the meeting contains Ordinary and Special Resolutions to be proposed at the forthcoming Annual General Meeting to be held on 6 July 2010. The Special Business is detailed on page 11.

#### **Allotment of shares**

The Companies Act 2006 provides that the directors of the Company may only allot unissued shares if they have the authority of shareholders or the Articles of Association to do so. Approval of shareholders will therefore be sought in resolution 6 to grant authority to allot shares up to a maximum aggregate nominal amount of £398,050. This amounts to 3,913,833 shares or approximately 33.33 per cent of the total share capital in issue as at 1 June 2010.

Except for the issue of shares held under an existing Enterprise Management Incentive Scheme, details of which are set out in note 20 of these accounts the directors have no intention, at present, of issuing any part of that capital and no issue will be made which will effectively alter control of the company without the prior approval of shareholders in general meeting.

In addition, the Companies Act 2006 gives shareholders statutory rights of pre-emption, whereby any shares issued for cash must be offered to existing shareholders pro-rata to their respective holdings. Assuming your board is granted the authority to issue new shares by shareholders, authority will be sought in resolution 7 to allot shares for cash up to a maximum aggregate nominal amount of £59,708 representing 587,075 shares, being approximately 5 per cent of the issued ordinary share capital of the Company, to persons other than existing shareholders as if the statutory pre-emption rights did not apply. The authorities granted by the relevant resolutions will expire on the earlier of 7 October 2010 and the conclusion of the next Annual General Meeting of the Company.

#### **Market purchases of own shares**

Resolution 8 will be proposed as a special resolution at the Annual General Meeting and, if approved, will give the Company authority to make market purchases of its own shares out of the distributable profits of the Company. The Directors propose that the Company should be authorised to purchase a maximum of 1,174,150 ordinary shares of 10p each, equivalent to approximately 10 per cent of the current ordinary shares in issue. On such purchase, such ordinary shares will be cancelled.

The effect of any purchases will be to reduce the number of shares in issue. In recognition that current market conditions are challenging and that liquidity for dealing in the Company's shares is constrained, within the limits of the resolution dealing with the purchase of its own shares at the forthcoming resolution (if duly passed by shareholders) and with an aggregate consideration not exceeding £100,000 the Company plans, from time to time, to purchase its shares in the market and to cancel them.

If the Board exercises the authority conferred by Resolution 8 the Company will have the option of holding repurchased shares in treasury.

The full exercise of all options outstanding at the date of the notice of meeting may require the issue of up to 952,021 Ordinary shares. This represents 7.97 per cent of the Company's issued share capital if the proposed authority to purchase the Company's own shares has been obtained and exercised in full (in each case at the date of notice of the Annual General Meeting).

## **Prime People Plc**

### **Report of the directors for the year ended 31 March 2010** *(Continued)*

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#### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Directors' Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs') as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Prime People plc web site is the responsibility of the directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

**Prime People Plc**

**Report of the directors for the year ended 31 March 2010** *(Continued)*

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**Auditors**

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Horwath Clark Whitehill LLP are appointed as auditors and have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

**On behalf of the Board**

C I Heayberd  
**Director**

**3 June 2010**

## **Prime People Plc**

### **Corporate governance**

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#### **Statement by the Directors on compliance with the Combined Code**

The Company is listed on the Alternative Investment Market (AIM) and is therefore not required to comply with section 1 of the 2006 Combined Code. Nevertheless, the Board is committed to ensuring that proper standards of corporate governance operate throughout the Group and has followed the principles of the Code so far as is practicable and appropriate for the nature and size of the Group.

This is not a statement of compliance as required by the Combined Code and should therefore not be relied upon to give the disclosure which would normally be made.

A statement of the directors' responsibilities in respect of the financial statements is set out on page 12. Below is a brief description of the role of the Board and its Committees, followed by a statement regarding the Group's system of internal controls.

#### **The Board**

The Board currently consists of an executive chairman, R J G Macdonald, two other executive directors and two non-executive directors.

The non-executive directors are J H J Lewis and S J Murphy. Both receive a fixed fee for their services and their interests in the shares of the company are as described on pages 6 and 18.

Biographies of the board members appear on page 7.

The Board meets at least 6 times each year and more frequently where business needs require and the directors receive monthly management accounts detailing the performance of the Group. The Board has a general responsibility for overseeing all day to day matters of the Company with specific responsibility for reviewing trading performance, resources (including key appointments), finding, setting and monitoring strategy, examining acquisition opportunities and reporting to shareholders. The non-executive directors have a responsibility to ensure the strategies proposed by the executive directors are fully considered and to bring their judgment to bear in this role.

To enable the Board to function effectively and directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters.

Directors are free to and regularly make further enquiries where they feel it is necessary and they are able to take independent professional advice as required at the Company's expense. This is in addition to the access which every director has to the company secretary.

The Board considers itself to be a "small board", and therefore has not set up a separate Nomination Committee. Appointments to the Board of both executive and non-executive directors are based on approval by the full Board.

Any director appointed during the year is required, under the provisions of the company's Articles of Association, to retire and seek reappointment by shareholders at the next Annual General Meeting. The Articles also require that one-third of the directors retire by rotation each year and seek reappointment at the Annual General Meeting.

## **Prime People Plc**

### **Corporate governance** *(Continued)*

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#### **The Board** *(Continued)*

The directors have resolved that they will retire at least once every three years even though not required by the Company's Articles.

The executive directors abstain from any discussion or voting at full board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on their own remuneration package.

Remuneration of non-executive directors is determined by the Board. Non-executive directors abstain from discussions concerning their own remuneration.

The Company publishes a full annual report and financial statements which are available to shareholders on request and to other parties who have an interest in the Group's performance.

All shareholders have the opportunity to put questions at the Company's Annual General Meeting.

#### **Audit Committee**

The Audit Committee comprises the two non executive directors of the Company and is chaired by S J Murphy. Its terms of reference require it to meet not less than twice each year and it provides a forum for reporting by the Group's auditors. By invitation, the meetings are also attended by the Finance Director.

The Audit Committee is responsible for reviewing a wide range of financial matters including ensuring that the financial performance of the Group is adequately measured and controlled, correctly represented, reported to and understood by the Board. The Audit Committee advises the Board on the appointment of external auditors and on their remuneration, both for audit and non-audit work, and discusses the nature and scope of their audit. The Committee has unlimited access to the Company's auditors.

#### **Remuneration Committee**

The members of the Remuneration Committee comprises the two non executive directors of the Company and is chaired by J H J Lewis. The principal terms of reference of the committee are set out in the Remuneration Report on pages 17 to 18. The report also contains full details of directors' remuneration and a statement of the Company's remuneration policy. The committee meets when required to consider all aspects of the executive directors' remuneration, drawing on outside advice as necessary.

#### **Going concern**

The directors believe the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

## **Prime People Plc**

### **Corporate governance** *(Continued)*

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#### **Internal controls**

The directors are responsible for the Group's system of internal control and for reviewing its effectiveness which, by its nature, can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the Group's internal control systems for the period 1 April 2009\* to the date of approval of the financial statements. The Board will continue to review the effectiveness of its control assessment system on a regular basis.

The Board has established procedures, which are designed to provide effective internal control for the Group and these include:

#### *Control Procedures*

The directors have in place an organisational structure with clearly defined levels of responsibility and delegation of authority.

Control procedures include annual budget approval and monitoring of actual performance. Formal staff appraisal procedures and training programmes are in place. Capital expenditure requests are reviewed by the Board and appropriate due diligence work will be carried out when a business is to be acquired.

It is Board policy that executive directors receive suitable training for their position, which is considered as part of the appraisal process.

#### *Risk Management*

The directors and operating company management have a clear responsibility for identifying risks facing each of the businesses and for putting in place procedures to mitigate and monitor risks. Risks are assessed during the annual budget process, which is monitored by the Board, and the ongoing Group strategy process.

#### *Financial Reporting*

The Group has a comprehensive system of financial reporting. There is a detailed budgeting system in place which includes the plan of each operating Company being approved by the executive directors and the Board approves the overall Group budget. On a monthly basis, actual results are reported against budget and any significant adverse variances examined and remedial action taken where necessary.

## Prime People Plc

### Remuneration Report

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The Remuneration Committee comprises J H J Lewis and S J Murphy. The Committee makes recommendations to the Board on the total reward package for the Company's Executive Directors.

#### Remuneration policy

The main aim of the committee is to attract, retain and motivate high calibre individuals with a remuneration package comprising of basic salary, incentives and rewards which are linked to the overall performance of the Group and which are comparable to pay levels in companies of similar size and in similar business sectors.

#### Service contracts

##### *Executive Directors*

All Executive Directors hold a contract for service which includes a notice period of one year. The Executive Directors have service agreements with the Company which are terminable by either party giving one years notice. There are no provisions for liquidated damages on the early termination of any of the Directors' service contracts nor provisions for mitigating damages.

##### *Non-executive directors*

Both non-executive directors have letters of appointment which entitle either party to give three months notice.

#### Remuneration of Directors

The remuneration of directors who served during the period is shown in the table below. Remuneration includes management salaries, fees as directors, performance related bonuses and taxable benefits. Remuneration shown is in respect of each director's period in office during the year as a board member of Prime People Plc and includes remuneration from the Company and its subsidiary undertakings.

	Salaries and fees	Benefits	Year ended 31 March 2010 Total	Year ended 31 March 2009 Total
	£	£	£	£
<b>Executive Chairman</b>				
R J G Macdonald	96,232	3,828	100,060	99,777
<b>Executive Directors</b>				
P H Moore	154,289	9,080	163,369	164,198
C I Heayberd	124,861	4,196	129,057	143,909
<b>Non-Executive Directors</b>				
J H J Lewis	16,286	-	16,286	16,286
S J Murphy	16,286	-	16,286	16,286
	<u>407,954</u>	<u>17,104</u>	<u>425,058</u>	<u>440,456</u>

## Prime People Plc

### Remuneration Report (Continued)

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#### Directors' Options

At 31 March 2010 directors' options on ordinary shares of 10p each granted under the Prime People Enterprise Management Incentive Scheme, were as follows:

Director	Date Granted	Granted	Exercise Price	Exercise Period
S J Murphy	16 May 2005	184,234	57.5p	16 May 2007 - 15 May 2015
C I Heayberd	25 September 2009	184,234	20.5p	25 September 2009 - 2 July 2011

Director's options granted under the company's Enterprise Management Incentive Scheme to C.I.Heayberd totalling 184,234 were surrendered on 24 September 2009.

#### On behalf of the Board

J H J Lewis  
Chairman of the Remuneration Committee

3 June 2010

## **Prime People Plc**

### **Independent auditors' report**

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#### **Independent Auditor's Report to the Members of Prime People plc**

We have audited the financial statements of Prime People plc for the year ended 31 March 2010 which comprise the Consolidated Statement of Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Cash Flow Statement, the Consolidated and Company Statement of Changes in Shareholders Equity, and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and company's affairs as at 31 March 2010 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Prime People Plc**

### **Independent auditors' report**

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#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Ian Dale  
Senior Statutory Auditor  
For and on behalf of  
**Horwath Clark Whitehill LLP**  
Statutory Auditor  
Aquis House  
49-51 Blagrove Street  
Reading  
Berkshire  
RG1 1PL

3 June 2010

**Prime People Plc**

**Consolidated income statement for the year ended 31 March 2010**

	Note	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
<b>Gross fee income</b>	4	<b>14,180</b>	20,668
Direct costs		(7,507)	(10,255)
<b>Net fee income</b>		<b>6,673</b>	10,413
Administrative expenses		(6,212)	(9,663)
<b>Operating profit</b>	5	<b>461</b>	750
Finance income		<b>12</b>	14
Finance expense	8	(11)	(37)
<b>Profit before taxation</b>		<b>462</b>	727
<b>Tax expense</b>	9	<b>(129)</b>	(190)
Other comprehensive income		333	537
		-	-
<b>Total comprehensive income for the year</b>		<b>333</b>	537
<b>Attributable to:</b>			
Equity holders of the parent		333	537
<b>Retained profit</b>		<b>333</b>	537
<b>Earnings per share</b>	11		
-Basic		<b>2.79p</b>	4.47p
-Diluted		<b>2.71p</b>	4.18p
-Continuing basic		<b>2.79p</b>	4.47p
-Continuing diluted		<b>2.71p</b>	4.18p

The notes on pages 28 to 52 form part of these financial statements

## Prime People Plc

### Consolidated statement of changes in shareholders' equity at 31 March 2010

	Called up share capital £'000	Capital redemption reserve £'000	Treasury shares £'000	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Foreign currency translation £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2008</b>	<b>1,203</b>	-	-	<b>7,095</b>	<b>173</b>	<b>136</b>	<b>(15)</b>	<b>4,087</b>	<b>12,679</b>
Equity dividends	-	-	-	-	-	-	-	(289)	(289)
Adjustment in respect of share schemes	-	-	-	-	-	40	-	-	40
Currency translation differences	-	-	-	-	-	-	501	-	501
Profit for the year	-	-	-	-	-	-	-	537	537
<b>At 31 March 2009</b>	<b>1,203</b>	-	-	<b>7,095</b>	<b>173</b>	<b>176</b>	<b>486</b>	<b>4,335</b>	<b>13,468</b>
Equity dividends	-	-	-	-	-	-	-	(238)	(238)
Shares purchased for Treasury	-	-	(9)	-	-	-	-	-	(9)
Adjustment in respect of share schemes	-	-	-	-	-	(99)	-	113	14
Shares purchased for cancellation	(9)	9	-	(18)	-	-	-	-	(18)
Currency translation differences	-	-	-	-	-	-	(18)	-	(18)
Profit for the year	-	-	-	-	-	-	-	333	333
<b>At 31 March 2010</b>	<b>1,194</b>	<b>9</b>	<b>(9)</b>	<b>7,077</b>	<b>173</b>	<b>77</b>	<b>468</b>	<b>4,543</b>	<b>13,532</b>

The notes on pages 28 to 52 form part of these financial statements

**Prime People Plc**

**Consolidated statement of financial position at 31 March 2010**

Registered No: 1729887

	Note	2010 £'000	2009 £'000
<b>Assets</b>			
<b>Non – current assets</b>			
Goodwill	14	9,769	9,769
Property, plant and equipment	12	251	379
Deferred tax asset	16	54	49
		10,074	10,197
<b>Current assets</b>			
Trade and other receivables	17	2,795	3,351
Cash and cash equivalents	18	2,783	2,499
		5,578	5,850
<b>Total assets</b>		15,652	16,047
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities	18	476	429
Trade and other payables	19	1,514	1,848
Current tax liabilities		130	22
		2,120	2,299
<b>Non-current liabilities</b>			
Financial liabilities – borrowings	18	-	280
<b>Total liabilities</b>		2,120	2,579
<b>Net assets</b>		13,532	13,468

**Prime People Plc**

**Consolidated statement of financial position at 31 March 2010 (continued)**

	<b>Note</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
<b>Capital and reserves</b>			
Called up share capital	20	<b>1,194</b>	1,203
Capital redemption reserve fund		<b>9</b>	-
Treasury shares		<b>(9)</b>	-
Share premium account		<b>7,077</b>	7,095
Merger reserve		<b>173</b>	173
Share option reserve		<b>77</b>	176
Currency translation differences		<b>468</b>	486
Retained earnings		<b>4,543</b>	4,335
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		<b>13,532</b>	13,468
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved and authorised for issue by the Board on 3 June 2010.

R J G Macdonald

C I Heayberd

The notes on pages 28 to 52 form part of these financial statements

**Prime People Plc**  
**Company statement of financial position at 31 March 2010**  
**Registered No: 1729887**

	Note	2010 £'000	2009 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	15	10,876	10,926
Property, plant and equipment	13	3	6
Deferred tax asset	16	1	37
		<b>10,880</b>	<b>10,969</b>
<b>Current assets</b>			
Trade and other receivables	17	200	766
Cash and cash equivalents		2,211	1,526
		<b>2,411</b>	<b>2,292</b>
<b>Total assets</b>		<b>13,291</b>	<b>13,261</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities – borrowings		296	288
Other payables	19	33	51
		<b>329</b>	<b>339</b>
<b>Non-current liabilities</b>			
Financial liabilities – borrowings	18	-	280
<b>Total liabilities</b>		<b>329</b>	<b>619</b>
<b>Net assets</b>		<b>12,962</b>	<b>12,642</b>
<b>Capital and reserves</b>			
Called up share capital	20	1,194	1,203
Capital redemption reserve fund		9	-
Treasury shares		(9)	-
Share premium account		7,077	7,095
Merger reserve		173	173
Share option reserve		37	65
Retained earnings		4,481	4,106
<b>Equity shareholders' funds</b>		<b>12,962</b>	<b>12,642</b>

The financial statements were approved and authorised for issue by the Board on 3 June 2010  
R J G Macdonald C I Heayberd

The notes on pages 28 to 52 form part of these financial statements

## Prime People Plc

### Company Statement of changes in shareholders' equity at 31 March 2010

Company	Called up share capital £'000	Capital redemption reserve £'000	Treasury shares £'000	Share premium account £'000	Share option reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2008	1,203	-	-	7,095	61	173	2,321	10,853
Equity dividends	-	-	-	-	-	-	(289)	(289)
Adjustments in respect of share schemes	-	-	-	-	4	-	-	4
Profit for the year	-	-	-	-	-	-	1,315	1,191
At 31 March 2009	1,203	-	-	7,095	65	173	4,106	12,642
Equity dividends	-	-	-	-	-	-	(238)	(238)
Shares purchased for treasury	-	-	(9)	-	-	-	-	(9)
Adjustments in respect of share schemes	-	-	-	-	(28)	-	32	4
Shares purchased for cancellation	(9)	9	-	(18)	-	-	-	(18)
Profit for the year	-	-	-	-	-	-	581	581
At 31 March 2010	<u>1,194</u>	<u>9</u>	<u>(9)</u>	<u>7,077</u>	<u>37</u>	<u>173</u>	<u>4,481</u>	<u>12,962</u>

The Company has taken advantage of the exemption conferred by the Companies Act 2006 to not present its own profit and loss account. The amount of consolidated profit after tax and before dividends dealt with in the financial statements of the parent is £581,712 (2009: profit £1,315,040).

The notes on pages 28 to 52 form part of these financial statements.

**Prime People Plc**

**Group and company cash flow statement for the year ended 31 March 2010**

		Group		Company	
		Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
	Note				
<b>Cash inflow / (outflow) from operating activities</b>					
Cash generated by operations	22	<b>859</b>	3,187	<b>691</b>	743
Corporation tax paid		<b>(78)</b>	(631)	-	-
Corporation tax received		<b>51</b>	-	-	-
Net cash from operating activities		<b>832</b>	2,556	<b>691</b>	743
<b>Cash inflow/(outflow) from investing activities</b>					
Interest received		<b>12</b>	14	<b>9</b>	8
Interest paid		<b>(11)</b>	(37)	<b>(9)</b>	(37)
Net purchase of property, plant and equipment		<b>(51)</b>	(290)	-	-
Dividend received			-	<b>531</b>	1,250
Net cash (used in)/from investing activities		<b>(50)</b>	(313)	<b>531</b>	1,221
<b>Cash flows from financing activities</b>					
Repayment of borrowings		<b>(280)</b>	(280)	<b>(280)</b>	(280)
Purchase of own shares		<b>(18)</b>	-	<b>(18)</b>	-
Treasury shares		<b>(9)</b>	-	<b>(9)</b>	-
Dividend paid to shareholders		<b>(238)</b>	(289)	<b>(238)</b>	(289)
Net cash used in financing activities		<b>(545)</b>	(569)	<b>(545)</b>	(569)
<b>Net increase in cash and cash equivalents</b>		<b>237</b>	1,674	<b>677</b>	1,395
Cash and cash equivalents at 1 April 2009		<b>2,350</b>	676	<b>1,518</b>	123
<b>Cash and cash equivalents at 31 March 2010</b>	23	<b>2,587</b>	2,350	<b>2,195</b>	1,518

The notes on pages 28 to 52 form part of these financial statements

## **Prime People Plc**

### **Notes forming part of the financial statements for the year ended 31 March 2010**

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#### **1 General information**

Prime People Plc ('the Company') and its subsidiaries (together 'the Group') is an international recruitment services organisation with offices in the United Kingdom, the Middle East, South Africa and the Asia Pacific region from which it serves an international client base.

The company is a public limited company which is quoted as an AIM company and is incorporated and domiciled in the UK. The address of the registered office is 40a Dover Street, London W1S 4NW. The registered number of the Company is 1729887.

#### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **2.1 Basis of preparation**

The consolidated financial statements of Prime People Plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention modified as necessary so as to include any items at fair value, as required by accounting standards.

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2009 except as described below.

In the current financial year the Group has adopted International Accounting Standard 1 Presentation of Financial Statements" (revised 2007) (IAS 1) and International Financial Reporting Standard 8 "Operating Segments" (IFRS 8).

The implementation of IAS 1 (revised 2007) resulted in changes to disclosure with the inclusion of a Consolidated Statement of Comprehensive Income.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board to allocate resources to the segments and to assess their performance.

The amendments to IFRS7 expand disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information in the current in accordance with the transitional reliefs offered in these amendments.

IFRS2 Share-based payment – Vesting Conditions and Cancellations has been amended to clarify the definition of vesting conditions. These amendments have not resulted in significant changes.

The implementation of IAS 23 Borrowing costs (revised) resulted in clarification of the accounting treatment of borrowing costs. These amendments have not resulted in significant changes.

IFRS 2008 Improvements (except IFRS 5) have been implemented. These amendments have not resulted in significant changes.

## Prime People Plc

### Notes forming part of the financial statements for the year ended 31 March 2010 (Continued)

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At the date of authorisation of these financial statements, the following Standards and Interpretations impacting the Group which have not been applied in these financial statements were in issue but not yet effective

Amendments to IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 23 (revised 2007)	Borrowing Costs
IAS 27	Consolidated and Separate Financial Statements
IFRS 3	Business Combinations
IFRS 2	Amendments to group settled share based payment transaction
Improvements to IFRS (IFRS 5)	Non-current assets held for sale and discontinued operations
Amendments to IAS 32	Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to IAS 39	Financial Instruments: Recognition and Measurement Eligible Hedged Items
Amendments to IFRIC 9	Reassessment of embedded derivatives
Amendments to IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 16 -	Hedges of a net investment in a foreign operation
IFRIC 17	Distributions of Non-cash assets to owners
IFRIC 18 -	Transfers of Assets from Customers (adopted for transfers of assets from customers received on or after 1 July 2009)
Amendments to IFRS 2	Group cash-settled share based payment transactions
Improvements to IFRS (April 2009)	

The Directors anticipate that the adoption of the above Standards and interpretations in future periods will have little of no impact on the financial statements of the Group when the relevant Standards come into effect for periods commencing in or after 31 March 2010.

## 2.2 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 2.3 Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

## **2.4 Foreign currency translation**

### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling (£), which is the Company's functional and presentation currency and rounded to the nearest thousand pound.

### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### **(c) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to shareholders' equity.

## **2.5 Property, plant and equipment**

All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Motor vehicles 20% – 33%
- Furniture, fittings and equipment 20% – 33%
- Leasehold improvements over the period of the lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

## **2.6 Intangible assets**

### **(a) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. As permitted by the exception in IFRS1 'First time adoption of International Reporting Standards', the Group has elected not to apply IFRS3 'Business combinations' to goodwill arising on acquisition that occurred before the date of transition to IFRS. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

### **(b) Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful economic lives (15% – 33% per annum).

Computer software development costs recognised as assets are amortised over their estimated useful lives (15% – 33% per annum).

## **2.7 Impairment of non-financial assets**

Assets that have an indefinite useful economic life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## **2.8 Financial assets and liabilities**

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provision of the instrument. Non derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowing and trade and other payables.

## **2.9 Trade receivables**

Trade receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'direct costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'direct costs' in the income statement.

## **2.10 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## **2.11 Trade payables**

Trade payables are recognised initially at fair value.

## **2.12 Borrowings**

Borrowing are recognised at fair value net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## **2.13 Current and deferred income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## **2.14 Employee benefits**

### **Share-based compensation**

The Group operates equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

## **2.15 Revenue recognition**

Revenue comprises the fair value of the sale of services net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

### **(a) Gross fee income**

Revenue, which excludes value added tax (“VAT”), constitutes the value of services undertaken by the Group as its principal activities, which are recruitment consultancy and other ancillary services. These consist of:

- Revenue from temporary placements, which represents amounts billed for the services of temporary staff, including the salary of these staff. This is recognised when the service has been provided;
- Revenue from permanent placements, which is based on a percentage of the candidate’s remuneration package and is derived from both retained assignments (income recognised on completion of defined stages of work) and non-retained assignments (income recognised at the date an offer is accepted by a candidate, a start date has been agreed but employment has not yet commenced). The latter includes revenue anticipated but not invoiced at the balance sheet date, which is correspondingly accrued on the balance sheet within prepayments and accrued income. A provision is made against accrued income based on past historical experience for possible cancellations of placements prior to, or shortly after, the commencement of employment based on past historical experience; and
- Revenue from amounts billed to clients for expenses incurred on their behalf (principally advertisements) is recognised when the expense is incurred.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### **(b) Direct costs**

Direct costs consist of the salary cost of temporary staff and costs incurred on behalf of clients, principally advertising costs.

### **(c) Net fee income**

Net fee income represents revenue less cost of sales and consists of the total placement fees of permanent candidates, the margin earned on the placement of temporary candidates and the margin on advertising income.

## **2.16 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straightline basis over the period of the lease.

## **2.17 Dividend distribution**

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s financial statements in the period in which the dividends are approved by the Company’s shareholders.

**2.18 Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management anticipate that any estimates and judgements made do not have a material effect on the results.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in 2.15.

**3 Financial risk**

The Group's activities expose it to a variety of financial risks; market risk, credit risk and liquidity risk. The Group does not use derivative financial instruments to hedge risk exposures.

**(a) Market risk**

Market risk arises from the group's exposure to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities in foreign operations. The principal foreign exchange risk is to the UAE Dirham, Hong Kong Dollar and South African Rand.

The Group's international operations account for approximately 15 per cent of gross fee income and less than 10 per cent of the Group's assets and consequently the Group has a degree of translation exposure in accounting for overseas operations and its policy is not to hedge against this exposure. The group seeks to minimise this exposure by converting into sterling all cash balances in foreign currency that are not required for short term working capital monetary needs.

**(b) Credit risk**

The Group's principal financial assets are bank balances and trade receivables. The Group's credit risk is primarily in respect of trade receivables. Credit risk refers to the risk that a client will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure to any individual client. However, in the current economic climate, there is increased uncertainty regarding customers who may not be able to pay as their invoices fall due. In reviewing the appropriateness of the provisions in respect of recoverability of trade receivables, consideration has been given to the ageing of the debt and the potential likelihood of default, taking into account current economic conditions.

**(c) Liquidity risk**

Effective liquidity risk management requires maintaining sufficient cash and credit facilities to meet forecast cash requirements of the Group. Management monitors its forecasted cash flow requirements at a Group level based on monthly returns made by the Group's operating units.

**Prime People Plc**

Notes forming part of the financial statements for the year ended 31 March 2010 (*Continued*)

**4 Segmental analysis**

a) Gross fee income, net fee income and operating profit by geographic region

	Gross fee income		Net fee income		Operating profit	
	31 March	31 March	31 March	31 March	31 March	31 March
	2010	2009	2010	2009	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000
UK	<b>12,163</b>	17,476	<b>4,656</b>	7,221	<b>628</b>	1,022
Other	<b>2,017</b>	3,192	<b>2,017</b>	3,192	<b>(167)</b>	(272)
Total	<b>14,180</b>	20,668	<b>6,673</b>	10,413	<b>461</b>	750

b) Segment assets, liabilities and capital expenditure by geographical region

	Total assets		Total liabilities		Capital expenditure	
	31 March	31 March	31 March	31 March	31 March	31 March
	2010	2009	2010	2009	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000
UK	<b>14,120</b>	14,285	<b>1,605</b>	2,083	<b>49</b>	136
Other	<b>1,532</b>	1,762	<b>515</b>	496	<b>2</b>	155
Total	<b>15,652</b>	16,047	<b>2,120</b>	2,579	<b>51</b>	291

c) Gross fee income and net fee income generated from permanent and temporary placements

	Gross fee income		Net fee income	
	31 March	31 March	31 March	31 March
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Permanent	<b>5,392</b>	9,082	<b>5,206</b>	7,843
Temporary	<b>8,788</b>	11,586	<b>1,467</b>	2,570
Total	<b>14,180</b>	20,668	<b>6,673</b>	10,413

## Prime People Plc

Notes forming part of the financial statements for the year ended 31 March 2010 (Continued)

### 5 Operating profit

	Year ended 31 March 2010	Year ended 31 March 2009
	£'000	£'000
This is arrived at after charging		
Fees payable to the company's auditor for the audit of the company's annual accounts	12	17
Fees payable to the company's auditor and its associates for other services		
- the audit of the company's subsidiaries pursuant to legislation	40	23
- tax services	1	3
Depreciation		
- owned assets	189	224
Operating lease rentals		
- land and buildings	354	584
- other operating leases	13	11
Exchange rate gain	(1)	(24)

### 6 Directors remuneration

	Year ended 31 March 2010	Year ended 31 March 2009
	£'000	£'000
Directors' remuneration consists of:		
Fees and emoluments for management services	425	440
	<u>425</u>	<u>440</u>
Highest paid director:		
Emoluments	163	164
	<u>163</u>	<u>164</u>

The directors are the key management personnel of the group.

### Directors' Options

At 31 March 2010 directors' options on ordinary shares of 10p each granted under the Prime People Enterprise Management Incentive Scheme, were as follows:

Director	Date Granted	Granted	Exercise Price	Exercise Period
S J Murphy	16 May 2005	184,234	57.5p	16 May 2007 - 15 May 2015
C I Heayberd	25 September 2009	184,234	20.5p	25 September 2009 - 2 July 2011

## Prime People Plc

### Notes forming part of the financial statements for the year ended 31 March 2010 (Continued)

#### 7 Staff costs including (directors)

<b>Group</b>	<b>Year ended 31 March 2010 Number</b>	<b>Year ended 31 March 2009 Number</b>
--------------	--	--

The average monthly number of employees of the Group during the year, including directors, was as follows:

Consultants	59	94
Management and administration	27	32

86                      126

<b>Company</b>	<b>Year ended 31 March 2010 Number</b>	<b>Year ended 31 March 2009 Number</b>
----------------	--	--

The average monthly number of employees of the Company during the year, including directors, was as follows:

Management	5	5
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Staff costs for all employees, including directors, but excluding temporary staff placed with clients consists of:

<b>Group</b>	<b>Year ended 31 March 2010 £'000</b>	<b>Year ended 31 March 2009 £'000</b>
--------------	---	---

Wages and salaries	3,717	6,115
Social security costs	334	515

4,051                      6,630

#### 8 Finance expense

	<b>Year ended 31 March 2010 £'000</b>	<b>Year ended 31 March 2009 £'000</b>
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Bank interest	11	37
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11                      37

**Prime People Plc**

Notes forming part of the financial statements for the year ended 31 March 2010 (*Continued*)

**9 Taxation**

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Current tax		
UK Corporation tax	135	190
UK tax over provided in previous years	(1)	(17)
	<hr/>	<hr/>
Total current tax	134	173
Deferred tax		
Origination and reversal of temporary differences	(5)	17
	<hr/>	<hr/>
Total income tax expense in the income statement	129	190
	<hr/> <hr/>	<hr/> <hr/>

The tax assessed for the year is equal to that obtained by applying the standard rate of corporation tax in the UK. The differences for the prior year are explained below:

	Year ended 31 March 2010	Year ended 31 March 2009
Profit before taxation	462	727
	<hr/> <hr/>	<hr/> <hr/>
UK corporation tax at the standard rate of 28% (2009: 28%) on profit on ordinary activities	129	204
Effects:		
Expenses not deductible for tax purposes	24	24
Capital allowances for the period less than depreciation	4	10
Tax losses utilised	(13)	-
Tax rate differences	(12)	(31)
Marginal relief	(2)	-
Overprovision provision in prior years	(1)	(17)
	<hr/>	<hr/>
	129	190
	<hr/> <hr/>	<hr/> <hr/>

## Prime People Plc

Notes forming part of the financial statements for the year ended 31 March 2010 (Continued)

### 10 Dividends

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Final dividend for 2009: Nil p per share (2008: 2.40p per share)	-	288
Interim dividend for 2010: 2p per share (2009: Nil p per share)	238	-
	238	288
	238	288

The directors propose to pay a final dividend in respect of the year ended 31 March 2010 of 1.5 pence per share which will be paid on 9 July 2010 to shareholders who are on the register on 25 June 2010.

### 11 Earnings per share

Earnings per share (EPS) has been calculated in accordance with IAS 33 "Earnings per share" and is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Earnings and weighted average number of shares used in the calculations are shown below.

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Retained profit for basic earnings per share	333	537
	Number	Number
Weighted average number of shares used for basic and continuing earnings per share	11,956,824	12,028,900
Dilutive effect of share options and shares to be issued	314,761	835,155
	12,271,585	12,864,055
	Pence	Pence
Basic earnings per share	2.79p	4.47p
Diluted earnings per share	2.71p	4.18p
Continuing basic earnings per share	2.79p	4.47p
Continuing diluted earnings per share	2.71p	4.18p

**Prime People Plc**

Notes forming part of the financial statements for the year ended 31 March 2010 (*Continued*)

**12 Property, plant and equipment**

<b>Group</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<i>Cost</i>			
At 1 April 2008	753	39	792
Additions	291	-	291
Disposals	(9)	-	(9)
Exchange rate gain	10	6	16
	<hr/>	<hr/>	<hr/>
At 1 April 2009	1,045	45	1,090
Additions	51	-	51
Disposals	(6)	-	(6)
Exchange rate gain/(loss)	16	(23)	(7)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2010</b>	<b>1,106</b>	<b>22</b>	<b>1,128</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2008	461	17	478
Provision for the year	210	14	224
Disposals	(7)	-	(7)
Exchange rate gain	10	6	16
	<hr/>	<hr/>	<hr/>
At 1 April 2009	674	37	711
Provision for the year	182	7	189
Disposals	(6)	-	(6)
Exchange rate gain/(loss)	11	(28)	(17)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2010</b>	<b>861</b>	<b>16</b>	<b>877</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2010	245	6	251
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2009	371	8	379
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2008	292	22	314
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Prime People Plc**

Notes forming part of the financial statements for the year ended 31 March 2010 (*Continued*)

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**13 Property, plant and equipment**

<b>Company</b>	<b>Fixtures, fittings and equipment £'000</b>
<i>Cost</i>	
At 1 April 2008	24
Disposals	(5)
	<hr/>
At 1 April 2009 and 31 March 2010	19
	<hr/> <hr/>
<i>Depreciation</i>	
At 1 April 2008	16
Provision for the year	2
Disposals	(5)
	<hr/>
At 1 April 2009	13
Provision for the year	3
	<hr/>
<b>At 31 March 2010</b>	<b>16</b>
	<hr/>
<i>Net book value</i>	
<b>At 31 March 2010</b>	<b>3</b>
	<hr/> <hr/>
At 31 March 2009	6
	<hr/> <hr/>
At 31 March 2008	8
	<hr/> <hr/>

## Prime People Plc

Notes forming part of the financial statements for the year ended 31 March 2010 (Continued)

### 14 Goodwill

	<b>Goodwill £'000</b>
<b>At 1 April 2008, 1 April 2009 and 31 March 2010</b>	<b>9,769</b>

Goodwill is not amortised but the Group tests it annually for impairment with the recoverable amount being determined from value in use calculations. Value in use is determined through the analysis of discounted cash flow forecasts based on financial forecasts approved by the management which takes account of both past performance and expected future market developments. Management have used a post tax discount rate of 9 per cent, equivalent to its weighted average cost of capital. This has been determined as reflecting current market assessments of the time value of money and risks specific to the industry and Company.

### 15 Non current asset investments

<b>Company</b>	<b>Shares in subsidiary undertakings £'000</b>
Cost	
At 1 April 2008, 1 April 2009 and 31 March 2010	11,139
Amounts provided	
At 1 April 2008 and 1 April 2009	213
Provided in year	50
At 31 March 2010	263
At 31 March 2010	10,876
At 1 April 2008 and 1 April 2009	10,926

## Prime People Plc

Notes forming part of the financial statements for the year ended 31 March 2010 (*Continued*)

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### 15 Non current asset investments (*Continued*)

The following are subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements:

	<b>Country of incorporation business</b>	<b>Proportion of voting rights and ordinary share capital held</b>	<b>Nature of subsidiary undertakings</b>
Macdonald & Company Group Limited	England and Wales	100%	Holding Company
Macdonald & Company Property Limited	England and Wales	100%	Recruitment
Macdonald and Company Freelance Limited	England and Wales	100%	Recruitment
Macdonald & Company (Overseas) Limited	England and Wales	100%	Dormant
Propertejobs.com Limited	England and Wales	100%	Dormant
Macdonald & Company Pty Ltd	Australia	100%	Recruitment
Macdonald & Company Ltd	Hong Kong	100%	Recruitment
Macdonald & Company Recruitment Limited	Hong Kong	100%	Dormant
Macdonald & Company Recruitment Proprietary Ltd	South Africa	100%	Recruitment
Harper Craven Associates Limited	England and Wales	100%	Management training

For all undertakings listed above, the country of operation is the same as its country of incorporation.

**Prime People Plc**

Notes forming part of the financial statements for the year ended 31 March 2010 (Continued)

**16 Deferred tax asset**

<b>Group</b>	<b>Depreciation in excess of capital allowances £'000</b>	<b>Losses £'000</b>	<b>Total £'000</b>
Balance at 1 April 2008	(2)	68	66
Charge / (Credit)	15	(32)	(17)
Balance at 31 March 2009	13	36	49
Charge / (Credit)	41	(36)	5
<b>Balance at 31 March 2010</b>	<b>54</b>	<b>-</b>	<b>54</b>

<b>Company</b>	<b>Capital allowances more than depreciation £'000</b>	<b>Losses £'000</b>	<b>Total £'000</b>
Balance at 1 April 2008	1	68	69
Credit to income	-	(32)	(32)
Balance at 31 March 2009	1	36	37
Charge to income	-	(36)	(36)
<b>Balance at 31 March 2010</b>	<b>1</b>	<b>-</b>	<b>1</b>

**17 Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2010 £'000</b>	<b>2009 £'000</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Amounts receivable within one year				
Trade receivables	1,529	1,619	-	-
Amounts owed by subsidiary undertakings	-	-	-	573
Other receivables	293	378	188	185
Prepayments and accrued income	973	1,354	12	8
	<b>2,795</b>	<b>3,351</b>	<b>200</b>	<b>766</b>

## Prime People Plc

Notes forming part of the financial statements for the year ended 31 March 2010 (*Continued*)

### 18 Financial Instruments

	Note	2010 £'000	2009 £'000
<b>Financial assets</b>			
Trade and other receivables	17	2,795	3,351
Cash and cash equivalents		2,783	2,499
		<u>5,578</u>	<u>5,850</u>

#### *Sterling*

Cash is held either on current account or on short term deposits at floating rates of interest determined by the relevant bank's prevailing base rate.

To date, the Group's currency exposure is limited and it has not been necessary to use any derivative financial instruments to manage this exposure. Any resulting gains or losses are recognised in the profit and loss account.

	2010 £'000	2009 £'000
<b>Financial liabilities</b>		
<b>Current</b>		
Bank loan (Secured)	280	280
Bank overdraft	196	149
	<u>476</u>	<u>429</u>

	2010 £'000	2009 £'000
<b>Non-current</b>		
Bank loan (Secured)	-	280
	<u>-</u>	<u>280</u>

## Prime People Plc

### Notes forming part of the financial statements for the year ended 31 March 2010 (Continued)

#### 18 Financial Instruments (continued)

The maturity of these obligations is as follows:

	2010 £'000	2009 £'000
In one year or less	476	429
In more than one year but less than two years	-	280
	<u>476</u>	<u>709</u>

The Group's financial liabilities consist of a bank overdraft and a bank loan both denominated in sterling.

#### *Bank overdraft*

The Group has not renewed its borrowing facilities with Barclays Bank Plc as the Board consider that the net cash within the group is sufficient to meet existing and foreseeable liabilities as they fall due.

#### *Bank loan*

On 3 January 2006 the company entered into a loan agreement with Barclays Bank Plc to part fund the acquisition of Macdonald & Company Group Limited. Loan repayments commenced in April 2006 in 20 equal quarterly instalments with the final repayment due in January 2011. Interest on the loan is payable at 1.75 per cent over bank base rate. The loan is secured by a fixed and floating charge over all the assets of Prime People Plc and its subsidiary companies. The balance outstanding at the year end is £280k (2009: £560k).

There is no material difference between the book values of the group's financial assets and liabilities and their fair values.

The Group does not hold any derivative financial instruments.

**Prime People Plc**

Notes forming part of the financial statements for the year ended 31 March 2010 (*Continued*)

**19 Trade and other payables – current**

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade payables	75	168	-	13
Amounts owed to subsidiary undertakings	-	-	11	-
Other payables	227	227	-	-
Taxation and social security	477	507	9	4
Accruals and deferred income	735	946	13	34
	<u>1,514</u>	<u>1,848</u>	<u>33</u>	<u>51</u>

**20 Share capital**

	31 March 2010		31 March 2009	
	Number	£'000	Number	£'000
<b>AUTHORISED</b>				
New ordinary shares of 10p each	16,000,000	1,600	-	-
Ordinary shares of 10p each	-	-	16,000,000	1,600
	<u>16,000,000</u>	<u>1,600</u>	<u>16,000,000</u>	<u>1,600</u>
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>				
New ordinary shares of 10p each				
At beginning of period	-	-	-	-
Share consolidation	23,883	1,194	-	-
Share subdivision	<u>11,917,617</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>11,941,500</u>	<u>1,194</u>	<u>-</u>	<u>-</u>
Ordinary shares of 10p each				
At beginning of period	12,028,900	1,203	12,028,900	1,203
Shares issued	100	-	-	-
Shares cancelled	(87,500)	(9)	-	-
Share consolidation	<u>(11,941,500)</u>	<u>(1,194)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>12,028,900</u>	<u>1,203</u>

**20 Share capital** (continued)

On 7 July 2009 the shareholders of the company approved the reorganisation of the share capital of the company by the consolidation of every 500 issued ordinary shares of 10p each into one New Ordinary share of 10p each. As part of this restructure 100 shares were issued and 8,750 cancelled. Further approval was given by shareholders that every Consolidated Ordinary share be subdivided into 500 New ordinary shares of 10p value. The subdivision took effect on 8 July 2009.

At 31 March 2010, 25,000 shares were held in treasury (2009: Nil shares of nominal value £Nil). The maximum number of shares held in treasury during the year was 25,000 shares (2009: Nil shares of nominal value £Nil), representing 0.002% (2009: Nil %) of the called up ordinary share capital of the company.

**Merger reserve**

The merger reserve arose on the issue of shares less shares issued to acquire subsidiaries.

## Prime People Plc

Notes forming part of the financial statements for the year ended 31 March 2010 (Continued)

### 20 Share capital (continued)

#### Employee share schemes

The Company operates two share options schemes, an Employee Management Incentive Scheme and a HM Revenue & Customs SAYE approved scheme.

#### Enterprise Management Incentive Scheme (EMI)

The Company established an Enterprise Management Incentive Scheme on 16 May 2005.

Details are as follows:-

Year of grant	Exercise Price Pence	Exercise Period	Number of options 31 March 2009	Granted	Cancelled	Number of Options 31 March 2010
2006	57.5	2007-2015	368,467	-	(184,234)	184,233
2007	90.5	2008-2013	99,000	-	(94,000)	5,000
2008	122.00	2009-2014	40,000	-	(40,000)	-
	113.50	2010-2015	192,000	-	(178,000)	14,000
2009	20.50	2011-2016	-	184,234	-	184,234
	20.77	2011-2016	-	312,000	(60,000)	252,000
	31.50	2012-2017	-	40,000	-	40,000
	31.50	2014-2019	-	200,000	-	200,000
Total 2010			699,467	736,234	(556,234)	879,467
Weighted average exercise price 2010 (pence)			95.88	8.08	56.59	51.98
Total 2009			699,467	-	-	699,467
Weighted average exercise price 2009 (pence)			87.41p	-	-	95.88p

## Prime People Plc

Notes forming part of the financial statements for the year ended 31 March 2010 (Continued)

### 20 Share capital (continued)

There were 879,467 options outstanding at 31 March 2010 which had a weighted average price per share of 51.98p (£2009: 95.88p). The performance conditions which gives the option holders the right to exercise their options under the EMI have been achieved. All the options granted during the year have been valued on a weighted average basis using the Black-Scholes option pricing model with the following assumptions:

	2010	2009
Share price (pence)	52.25	95.88
Expected volatility (%)	60.71	40.25
Risk-free interest rate (%)	4.2	4.45
Expected life of options (years)	2	2

Expected volatility was determined by reference to historical volatility of the company's share price.

#### 2001 Employee Share Option Scheme

There are no share options held under the HM Revenue & Customs approved scheme.

#### SAYE Share Scheme

The company operates a three year save as you earn (SAYE) scheme for the benefit of the employees within the company which is administered by Barclays Bank Trust Company Limited.

On 3 September 2007 all eligible employees within the group were invited to buy shares in Prime People Plc.

Details are as follows:

Year of grant	Exercise price Pence	Exercise period	Number of options 31 March 2009	Granted	Leavers	Number of Options 31 March 2010
2008	86.00	2011	135,689	-	(63,135)	72,554
Total 2010			135,689	-	(63,135)	72,554
Weighted average exercise price 2010 (pence)			86.0p	-	86.0p	86.0p
Total 2009			222,800	-	(87,111)	135,689
Weighted average exercise price 2009 (pence)			49.24p	-	86.0p	86.0p

## Prime People Plc

### Notes forming part of the financial statements for the year ended 31 March 2010 (Continued)

#### 20 Share capital (continued)

There were 72,554 SAYE options outstanding at 31 March 2010 which had a weighted average price per share of 86.0p (2009: 86.0p). All the SAYE options have been valued using the Black-Scholes option pricing model with the following assumptions:

	2010	2009
Share price (pence)	107.0	107.0
Expected volatility (%)	37.0	37.0
Risk-free interest rate (%)	4.0	4.0
Expected life of options (years)	3	3

#### 21 Commitments

As at 31 March 2010 the group was committed to making the following total payments in respect of operating leases:

Group	Land and buildings	Other	Land and buildings	Other
	2010	2010	2009	2009
	£'000	£'000	£'000	£'000
Non-cancellable operating leases which expire:				
Within one year	18	1	132	-
Within one to two years	-	6	-	-
Within two to five years	1,163	24	913	43
After five years	269	-	404	-
	<u>1,450</u>	<u>31</u>	<u>1,449</u>	<u>43</u>

The Company does not hold non-cancellable operating lease agreements.

#### 22 Reconciliation of operating profit to net cash inflow from operating activities

	Group		Company	
	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2010	Year ended 31 March 2009
	£'000	£'000	£'000	£'000
Group operating profit	461	750	137	127
Depreciation	189	224	2	2
Share option reserve movement	14	40	4	-
Effect of exchange rate changes	(28)	501	-	-
Decrease in debtors	555	2,400	566	633
Decrease in creditors	(332)	(728)	(18)	(19)
	<u>859</u>	<u>3,187</u>	<u>691</u>	<u>743</u>

23 Analysis of net cash

Group	At 1 April 2009 £'000	Cash flow £'000	At 31 March 2010 £'000
Cash at bank and in hand	2,499	284	2,783
Bank overdraft	(149)	(47)	(196)
	2,350	237	2,587
Bank loans due within one year	(280)	-	(280)
Bank loans due after one year	(280)	280	-
	1,790	517	2,307
	1,790	517	2,307

Company	At 1 April 2009 £'000	Cash flow £'000	At 31 March 2010 £'000
Cash at bank and in hand	1,526	685	2,211
Bank overdraft	(8)	(8)	(16)
	1,518	677	2,195
Bank loans due within one year	(280)		(280)
Bank loans due after one year	(280)	280	-
	958	957	1,915
	958	957	1,915

24 Related party transactions

Prime People Plc provides various management services to its subsidiary undertakings. These services take the form of centralised Finance and Operations support. The Company also provides corporate guarantees on the subsidiary bank accounts. The total amount charged by the Company to its subsidiaries during the year is £403k (2009: £414k). The balance owed by the subsidiary undertakings at the year end is £Nil (2009: £573k).

## Prime People Plc

### Notice of Annual General Meeting

Notice is hereby given that the twenty-sixth Annual General Meeting of Prime People Plc (the "Company") will be held at 40a Dover Street, Mayfair, London, W1S 4NW on Tuesday 6 July 2010 at 11.00am for the following purposes:

#### Ordinary Business:

1. To receive the Company's financial statements for the year ended 31 March 2010 together with the reports of the directors and auditors thereon.
2. To approve the Remuneration Report.
3. To reappoint Mr C I Heyberd as a director, who retires by rotation pursuant to the articles of association, and being eligible, offers himself up for reappointment.
4. To reappoint Horwath Clark Whitehill LLP as auditors for the ensuing year.
5. To authorise the Directors to determine the remuneration of the auditors.

#### Special Business:

6. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, in substitution for any existing powers, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ('the Act') to exercise all powers of the Company to allot ordinary shares up to an aggregate nominal amount of £398,050 provided that this authority shall expire at the conclusion of the Annual General Meeting to be held in 2011 or 15 months after the passing of this resolution (whichever is the earlier) save that the Company may before such expiry make an offer or agreement which would or might require ordinary shares to be allotted after such expiry and the Directors may allot ordinary shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

7. To consider, and, if thought fit, to pass the following resolution as a special resolution:

That, in substitution for all existing powers, under Section 570 of the Act, but without prejudice to the exercise of such power prior to the date hereof, the Directors be and are hereby empowered to allot equity securities (as defined in Section 560(1) and 560(2) of the Act) for cash pursuant to the authority conferred in accordance with Section 551 of the Act pursuant to Resolution 6 above as if Section 561 of the Act did not apply to such allotment provided that this power shall be limited:

- a) to the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of the holders of equity securities in proportion to their respective holdings of such securities but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas holders, fractional entitlements or otherwise; or
- b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £59,708.

8. To consider, and, if thought fit, to pass the following resolution as a special resolution:

That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (as defined in section 693 of the Act) on the AIM Market of the London Stock Exchange plc of ordinary shares of 10p each in the capital of the Company provided that:

- a) The maximum aggregate number of new ordinary shares authorised to be purchased is 1,174,150 (representing approximately 10 per cent of the Company's current issued ordinary share capital).
- b) The minimum price which may be paid for such shares is £0.10 per share.
- c) The maximum price which may be paid for an ordinary share shall not be more than 5 per cent above the average of the middle market quotations for a new ordinary share as derived from the London Stock Exchange plc for the five business days immediately preceding the date on which the new ordinary share is purchased.
- d) Unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the earlier of the Company's next Annual General Meeting or 18 months from the date of passing this resolution.
- e) The Company may make a contract or contracts to purchase new ordinary shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of new ordinary shares in pursuance of any such contract or contracts.

Registered Office  
40a Dover Street  
London W1S 4NW

By order of the Board  
C I Heyberd  
Secretary  
3rd June 2010

## Prime People Plc

### Notice of Annual General Meeting (*continued*)

#### Notes:

1. A member entitled to speak, attend and vote at the above meeting convened by the above notice is entitled to appoint a proxy to attend, speak and vote in his place. Such proxy need not be a member of the Company. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
2. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member. A member wishing to appoint more than one proxy should photocopy the proxy card and indicate on each copy the name of the proxy he appoints and the number of shares in respect of which that proxy is appointed.
3. A form of proxy is enclosed. The appointment of a proxy will not prevent a Shareholder from subsequently attending and voting at the meeting in person, in which case any votes cast by the proxy will be excluded and the proxy appointment will automatically be terminated. In order to revoke a proxy appointment Shareholders will need to inform the Company by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to the Company's registrars, Neville Registrars Limited, Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA by the time appointed for holding the meeting or adjourned meeting, or in the case of a poll taken subsequently to the meeting or adjourned meeting, by the time appointed for taking the poll.
4. To be effective the instrument of proxy and the power of attorney or other written authority (if any) under which it is signed, or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 or the Enduring Powers of Attorney Act 1986 (or any statutory modification or re-enactment thereof for the time being in force) of any such power or written authority must be deposited at the Company's registrars, Neville Registrars Limited, Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll taken subsequently to the meeting or adjourned meeting, not less than 24 hours before the time appointed for taking the poll. Where a poll is not taken forthwith but is taken less than 48 hours after it was demanded, the instrument of proxy together with any other documents required to be deposited shall be deemed to have been deposited if handed to the chairman of the meeting at which the poll is validly demanded at any time prior to the commencement of such meeting and if so delivered the instrument of proxy shall be treated as valid.
5. Directors' service contracts together with a copy of the Rules to the company's Inland Revenue Approved Employee Enterprise Management Incentive Scheme and the minutes of the previous Annual General Meeting will be available for inspection during the Annual General Meeting and for at least 15 minutes before it begins.
6. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those Shareholders entered on the Company's register of members not later than 48 hours before the time of the meeting or, if the meeting is adjourned, Shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting, will be entitled to attend and vote at the meeting. Changes to entries on the register of members after such time on such date will be disregarded in determining the rights of any person to attend and vote at the meeting.

**Prime People Plc**

**Form of Proxy**

**For use at the Annual General Meeting convened for Tuesday 6 July 2010 at 11.00am.**

**I/We**

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**Of**

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being (a) member(s) of the above-named Company, hereby appoint the Chairman for the time being of the meeting or\*

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as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 40a Dover Street, London, W1S 4NW on Tuesday 6 July 2010 at 11.00am and at any adjournment thereof.

I/We direct my/our proxy to vote with an X in the spaces below on the resolutions set out in the notice convening the Annual General Meeting as follows, (if no indication is given, your proxy will vote for or against the resolution or abstain from voting as he thinks fit):

<b>ORDINARY BUSINESS</b>	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
1. To approve the Company's financial statements for the year ended 31 March 2010 together with the reports of the directors and auditors thereon.			
2. To approve the Remuneration Report.			
3. To reappoint Mr C I Heayberd as a director			
4. To re-appoint Horwath Clark Whitehill LLP as auditors for the ensuing year			
5. To authorise the directors to determine the remuneration of the auditors.			
<b>SPECIAL BUSINESS</b>			
6. To authorise the directors to issue new shares			
7. To empower the directors to allot shares for cash.			
8. To authorise the directors to make market purchases of its own shares.			

*If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.*

Signed this

day of

2010

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Signature

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SECOND FOLD

BUSINESS REPLY SERVICE  
Licence No BM3865



NEVILLE REGISTRARS LIMITED  
NEVILLE HOUSE  
18 LAUREL LANE  
HALESOWEN  
WEST MIDLANDS  
B63 3BR

FIRST FOLD

THIRD FOLD AND TUCK IN

## **Prime People Plc**

### **Form of Proxy** *(continued)*

#### **Notes:**

1. If any other proxy is preferred, strike out the words "Chairman of the Meeting" and add the NAME and ADDRESS of the proxy you wish to appoint and initial the alteration. The proxy need not be a member.
2. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. If the appointer is a corporation, this form must be completed under its common seal or under the hand of some officer or attorney duly authorised in writing.
4. The signature of any one of the joint holders will be sufficient, but the names of all the joint holders should be stated. In the case of joint holders of a share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share.
5. To be effective this form and the power of attorney or other written authority (if any) under which it is signed, or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 or the Enduring Powers of Attorney Act 1986 (or any statutory modification or re-enactment thereof for the time being in force) of any such power or written authority must be deposited at the Company's registrars, Neville Registrars Limited, Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA not less than 48 hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll taken subsequently to the meeting or adjourned meeting, not less than 24 hours before the time appointed for taking the poll. Where a poll is not taken forthwith but is taken less than 48 hours after it was demanded, this form together with any other documents required to be deposited shall be deemed to have been deposited if handed to the Chairman of the Meeting at which the poll is validly demanded at any time prior to the commencement of such meeting and if so delivered the instrument of proxy shall be treated as valid.
6. The completion of this form will not preclude a member from attending the meeting and voting in person in which case any votes cast by the proxy will be excluded and your proxy appointment will automatically be terminated. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating the intention to invoke the proxy appointment to the Company's registrars, Neville Registrars Limited, Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA by the time appointed for holding the meeting or adjourned meeting, or in the case of a poll taken subsequently to the meeting or adjourned meeting, by the time appointed for taking the poll.
7. Any alteration of this form must be initialled.
8. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 48 hours before the time of the meeting or, if the meeting is adjourned, Shareholders entered on the Company's register of members not later than 48 hours before the adjourned meeting, will be entitled to attend and vote at the meeting. Changes to entries on the register of members after such time will be disregarded in determining the rights of any person to attend and vote at the meeting.