

7 June 2007

Prime People plc
Preliminary Results for the year ended 31 March 2007

Prime People plc (“Prime People” or the “Company”), the international real estate, infrastructure and commercial property recruitment specialist, today announces its preliminary results for the year ended 31 March 2007.

Highlights*:

- Ø Gross fee income up 22% to £20.2m (2006 pro forma £16.5m)
- Ø Net fee income up 23% to £10.8m (2006 pro forma £8.8m)
- Ø Profit before tax up 14.2% to £2.01m (2006 pro forma £1.76m)
- Ø Fully diluted earnings per share 10.93p
- Ø Final dividend of 2.25p making a total for the year of 3.5p
- Ø Year end fee earners increased by 31% to 81
- Ø New international offices opened in the year in Hong Kong, Australia and South Africa

* Pro forma 2006 results have been provided in order to give a meaningful comparison of year on year performance of the continuing business.

Peter Moore, Managing Director of Prime People said:

“I am very pleased with this set of results, which reflect continued growth in the UK and excellent progress on our international expansion strategy. Demand for our services has remained solid, driven by an ongoing pipeline of major UK infrastructure projects and in commercial property internationally by the demand for increasingly sophisticated expertise, in property investment and management.

“The performance of the business in the year to date has been encouraging and is in line with our expectations, with our international operations performing well. We anticipate that there will continue to be opportunities for good organic growth both in the UK and internationally.”

-Ends-

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Chairman's Statement

Introduction

I am pleased to report the results for Prime People Plc for the year ended 31 March 2007, with good progress made in our core UK market as well as on our international expansion strategy.

Profit before taxation for the year was £2.01 million, which is a 14.2 per cent increase on the pro forma profit for the previous year of £1.76 million and is in line with the trading statement issued on 3 May 2007. As this is our first full year of trading since the Group's transformation in January 2006 by the reverse takeover by Macdonald & Company Group Limited ("Macdonald"), pro forma results have been provided to give a meaningful comparison of year on year performance of the continuing business. On a statutory basis, the £2.01 million reported profit before tax for 2007 compares to a loss for the 15 months ended 31 March 2006 of £11,000.

Prime People's principal business activity is the provision of recruitment services to the UK and international real estate, infrastructure and commercial property sectors. This activity is operated through our main trading subsidiary, Macdonald.

Reflecting the positive conditions within the markets we serve and a continuing demand for professional staff, gross fee income increased 22 per cent to £20.2 million (2006 pro forma: £16.5 million). This translated to net fee income ("NFI") for the year ended 31 March 2007 of £10.8 million, a 23 per cent increase on the previous year (2006 pro forma: £8.8 million).

In the UK, demand for property professionals remained strong throughout the year. The people we place are involved in the investment, development and management of all types of property asset. Our main revenues are generated from placing permanent and contract staff who are specialists in disciplines such as fund management, investment, development and financing, project management, quantity surveying and building surveying, facilities management, town and country planning, architecture and social housing. With a steady pipeline of development, infrastructure and regeneration projects already committed to in the UK, we expect to see continuing strong demand for candidates. In addition, increases in NFI are also being supported by wage inflation arising from a shortage of skilled candidates in the sectors we serve. Our new architecture and social housing businesses, which commenced in the year, further strengthen our offering and provide good opportunities for new revenue growth in the coming year.

In line with our stated plans to broaden the Macdonald business overseas, during the year new offices were established in Hong Kong, Australia and the Republic of South Africa and our Dubai operation was strengthened. The Dubai and Hong Kong offices are accessing areas of particularly high economic growth whilst the Australian and South African offices, which opened more recently, address local markets and further facilitate the global movement of the professionals that Macdonald places. The decision to bring forward the opening of our Australian office into the current year was opportunity driven and resulted in start-up costs of approximately £0.09 million in the year, which were not originally planned for. In the period being reported, the four overseas offices contributed 10 per cent of NFI (2006 – Nil). We expect NFI derived from overseas offices to continue to increase as a proportion of total NFI in the years ahead.

Dividend

The strong underlying performance over the past year has led the Board to propose a final dividend of 2.25p per ordinary share. This will be paid on 25 July 2007 to shareholders on the register on 29 June 2007 and brings the total dividend paid to shareholders for the year to 3.5 pence per ordinary share (1.125p for the 15 months ended 31 March 2006).

Results summary

The Statutory results are set out in full in the financial statements.

The table below provides the highlights of the Group's performance for the year, compared with the pro forma results for the year ended 31 March 2006. The financial statements set out below provide a comparison with the 15 month period to 31 March 2006.

	Year ended 31 March 2007 £'000 Actual	Year ended 31 March 2006 £'000 Pro forma	
Gross fee income	20,179	16,504	+22.3%
Direct Costs	<u>(9,344)</u>	<u>(7,699)</u>	
Net fee income	10,835	8,805	+23.1%
Admin Expenses	<u>(8,748)</u>	<u>(6,997)</u>	
Operating profit	2,087	1,808	+15.4%
Net interest	<u>(78)</u>	<u>(51)</u>	
Profit before tax	2,009	1,757	+14.3%
Taxation at 33% (2006: 30%)	<u>(665)</u>	<u>(527)</u>	
Profit after tax	1,344	1,230	+9.3%
Fully diluted EPS	10.93p	10.23p	+6.8%

Prime People includes the trading businesses of Macdonald and Harper Craven Associates Limited ("Harper Craven").

Longer term growth opportunities

In pursuing our overall growth strategy, we continue to focus on organic expansion – adding new consultants in existing and complimentary areas in the UK and internationally. At the same time we continue actively to seek acquisition targets of an appropriate size and operational fit. However, as yet none has been found which meets our acquisition criteria.

Outlook

The performance of the Company in the year to date has been encouraging and is in line with our expectations, with our international operations performing well. We anticipate that there will continue to be opportunities for good organic growth both in the UK and internationally.

I look forward to updating shareholders of developments in these various areas in due course.

Robert Macdonald
Executive Chairman

7 June 2007

Operating Review

Macdonald

Our core business is the provision of recruitment services to the real estate, infrastructure and commercial property markets in the UK and around the world, a sector comprising assets in the UK alone valued at over £640 billion.

The sector we serve has been buoyant during the past year, with strong demand for professional staff, particularly for permanent placements. This has led to a further increase in gross fee income and profit over the past year and the business has maintained its record of consistent growth. NFI increased by 27.5 per cent from £8.23 million pro forma 2006 to £10.5 million, split 79/21 between permanent and temporary placements (prior year pro forma Perm/Temp split was 76/24). The growth in NFI also reflected an increase in fee earners of 31 per cent, bringing our total number of consultants to 81 at the year-end.

Details of the split between temporary and permanent net fee income is shown below:

	Year ended 31 March 2007 Actual £'000	Perm / Temp split %	Year ended 31 March 2006 Pro forma £'000	Perm / Temp split %	NFI growth %
Net fee income - permanent	8,308	79	6,282	76	+32.3%
Net fee income – contract & temporary	2,190	21	1,951	24	+12.3%
Total net fee income	<u>10,498</u>	100	<u>8,233</u>	100	+27.5%

We established our first overseas office in Dubai in January 2006 and this has performed well in the year. We now have eight fee earners operating from this office.

In July 2006 we commenced operations in Hong Kong, when a senior member of staff was relocated there. The cultural challenges of doing business in this region meant that it has taken longer to become established in this market than we had originally anticipated, resulting in start-up losses of £0.08 million in the period being reported. The business is now performing well and we have added additional 'ex-pat' and local staff to this operation. We now have five fee earners serving the Asian region, which includes mainland China.

In January 2007 we took the opportunity to bring forward our plans to open an office in Australia and established our office in Sydney with the secondment of a senior member of staff who has subsequently been joined by another member of our London team and four local hires.

Our Johannesburg office comprises two fee earners and began trading in April 2007.

We are very pleased with the progress our overseas offices have made during the year in contributing 10 per cent of total Group NFI.

During the coming year we plan to consolidate our positions in overseas markets with further hires. These, together with a full year of trading from the more recently opened offices, will, we expect, result in an increase in NFI derived from overseas offices in 2007/08.

Harper Craven

In addition to our core recruitment activity, the Group also owns Harper Craven, which provides bespoke sales, marketing and management training and coaching programmes to a broad range of corporate clients. This business has been part of the group for a number of years, prior to the reverse takeover by Macdonald, and has made a small contribution to group profit before tax in the year.

Outlook

Prospects for Macdonald appear good with demand for its services continuing from a pipeline of UK infrastructure projects running long into the future and in commercial property internationally from demand for increasingly sophisticated expertise in property investment and property management.

In the UK, our new revenue lines in architecture and social housing have each made a good start and we expect that they will make increasing contributions in the coming years.

Overseas we are heartened by the positive reception we have received from locally based employers, many of these are regional offices of international businesses with which we already have relationships in the UK. Our expectations for our overseas operations are enhanced by the higher economic growth being seen in Middle and Far East markets, which we are now able to access directly.

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.

Peter Moore
Managing Director

7 June 2007

Prime People Plc

Financial Review

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Trading Results

Gross fee income for the year from continuing operations increased by 22 per cent to £20.18m (2006: pro forma £16.5m).

NFI increased by 23 per cent to £10.84m (2006: pro forma £8.8m).

The group considers NFI 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 totaled £8.75m which represents 80.7 per cent of net fee income (2006: pro forma £7.0m – 79.5 per cent). Profit before tax increased by 14.2 per cent to £2.01m (2006: pro forma £1.76m).

The taxation charge is £0.67m on a profit on ordinary activities before taxation of £2.01m which gives an overall tax rate of 33 per cent (2006: pro forma 30 per cent).

Earnings Per Share

The continuing diluted earnings per share is 10.93p (2006: pro forma 10.23p).

Dividend

As outlined in the chairman's statement, the directors propose a final dividend of 2.25p which will be paid on 25 July 2007 to shareholders who are on the register on the 29th June 2007 making a total dividend for the period of 3.5p.

Treasury Management.

Net cash inflow of £1.27m (2006: inflow of £0.16m) was generated from operating activities during the year, which after net taxation payments of £0.53m (2006: net payment of £0.59m) resulted in a net cash inflow from operating activities of £0.74m (2006: outflow of £0.43m).

The group operates a centralised treasury function with a net debt position at 31 March 2007 of £0.84m, compared to £1.25m at 31 March 2006.

Christopher Heyberd
Finance Director

7 June 2007

Prime People Plc

Consolidated income statement for the year ended 31 March 2007

	Note	12 months ending 31 March 2007 £'000 £	15 months ending 31 March 2006 £'000 £
Gross fee income		20,179	5,373
Direct costs		(9,344)	(2,256)
Net fee income		10,835	3,117
Administrative expenses		(8,748)	(2,985)
Operating profit		2,087	132
Share of operating loss in associate		-	(79)
Impairment loss in associated undertaking		-	(156)
		-	(235)
Profit/(loss) before interest		2,087	(103)
Interest receivable and similar income		18	134
Interest payable and similar charges		(96)	(42)
Profit/(loss) before taxation		2,009	(11)
Taxation		(665)	(16)
Profit after tax for continuing activities		1,344	52
Share of loss after tax in associate		-	(79)
Profit/(loss) for the period attributable to equity shareholders		1,344	(27)
Earnings/(loss) per share	2		
- Basic		11.38p	(0.52p)
- Diluted		10.93p	(0.52p)
- Continuing basic		11.38p	6.69p
- Continuing diluted		10.93p	6.09p

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Consolidated statement of changes in shareholders' equity at 31 March 2007

	Called up share capital £'000	Shares to be issued £'000	Share premium account £'000	Share option reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2005	368	-	910	-	173	1,889	3,340
New shares issued	716	-	5,304	-	-	-	6,020
Consideration shares to be issued	-	1,000	-	-	-	-	1,000
Equity dividends	-	-	-	-	-	(46)	(46)
Loss for the year	-	-	-	-	-	(27)	(27)
At 31 March 2006	1,084	1,000	6,214	-	173	1,816	10,287
Consideration shares issued	119	(1,000)	881	-	-	-	-
Equity dividends	-	-	-	-	-	(271)	(271)
Share option charge	-	-	-	78	-	-	78
Profit for the year	-	-	-	-	-	1,344	1,344
At 31 March 2007	1,203	-	7,095	78	173	2,889	11,438

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Consolidated balance sheet at 31 March 2007

	2007 £'000	2006 £'000
Assets		
Non – current assets		
Goodwill	9,769	9,769
Property, plant and equipment	316	260
Deferred tax asset	<u>91</u>	<u>75</u>
	<u>10,176</u>	<u>10,104</u>
Current assets		
Investment held for sale	-	177
Trade and other receivables	4,601	3,333
Cash and cash equivalents	<u>304</u>	<u>318</u>
	<u>4,905</u>	<u>3,828</u>
Total assets	<u>15,081</u>	<u>13,932</u>
Liabilities		
Current liabilities		
Financial liabilities	308	445
Trade and other payables	2,034	1,773
Current tax liabilities	<u>461</u>	<u>304</u>
	<u>2,803</u>	<u>2,522</u>
Non-current liabilities		
Financial liabilities – borrowings	<u>840</u>	<u>1,123</u>
Total liabilities	<u>3,643</u>	<u>3,645</u>
Net assets	<u>11,438</u>	<u>10,287</u>

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Consolidated balance sheet at 31 March 2007 (continued)

	2007	2006
	£'000	£'000
Capital and reserves		
Called up share capital	1,203	1,084
Share premium account	7,095	6,214
Other reserve	173	173
Consideration shares to be issued	-	1,000
Share option reserve	78	-
Retained earnings	<u>2,889</u>	<u>1,816</u>
Equity shareholders' funds	<u>11,438</u>	<u>10,287</u>

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Consolidated cash flow statement for the year ended 31 March 2007

	Note	12 months ending 31 March 2007 £'000	15 months ending 31 March 2006 £'000
Cash flows from operating activities			
Cash generated by operations	3	1,266	155
Taxation received		-	5
Corporation tax paid		<u>(525)</u>	<u>(590)</u>
Net cash from/(used in) operating activities		<u>741</u>	<u>(430)</u>
Cash flows from investing activities			
Interest received		18	134
Interest paid		(96)	(42)
Purchase of subsidiary undertaking		-	(9,876)
Disposal of investment held for sale		178	-
Net cash acquired with business		-	202
Net purchase of property, plant and equipment		<u>(164)</u>	<u>(13)</u>
Net cash used in investing activities		<u>(64)</u>	<u>(9,595)</u>
Cash flows from financing activities			
Issue of ordinary share capital		-	6,020
New bank loan		-	1,400
Repayment of borrowings		(280)	-
Capital element of hire purchase obligations		(7)	(9)
Dividend paid to shareholders		<u>(271)</u>	<u>(46)</u>
Net cash (used in)/from financing activities		<u>(558)</u>	<u>7,365</u>
Net increase/(decrease) in cash and cash equivalents		119	(2,660)
Cash and cash equivalents at 1 April 2006		<u>160</u>	<u>2,820</u>
Cash and cash equivalents at 31 March 2007	4	<u><u>279</u></u>	<u><u>160</u></u>

Prime People Plc

Notes to the preliminary announcement for the 12 months ended 31 March 2007

1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are outlined below.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations applicable at the balance sheet date, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. These financial statements have been prepared under the historical cost convention. The Group is required to provide comparative information for the prior reporting period.

The group used the equity accounting method to include the group's share of operating profit and corporation tax charge, for its associated undertaking. In the previous period the associated undertaking has been written down to its fair value.

2 Earnings per share

Earnings per share (EPS) has been calculated in accordance with IAS 33 "Earnings per share" and is calculated by dividing the (loss)/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 calculation of earnings per share are shown below.

	12 months ending 31 March 2007 £'000	15 months ending 31 March 2006 £'000
Retained profit/(loss) for basic earnings/(loss) per share	1,344	(27)
Tax on profit/(loss)	665	16
Exceptional item	-	186
Loss arising from associate undertaking	-	235
	<hr/>	<hr/>
Profit before tax, exceptional items	2,009	410
Taxation	(665)	(71)
	<hr/>	<hr/>
Adjusted retained profit for adjusted earnings per share	<u>1,344</u>	<u>339</u>

**Notes to the preliminary announcement for the 12 months ended 31 March 2007
(continued)**

2 Earnings per share (continued)

	Number	Number
Weighted average number of shares used for basic and continuing earnings per share	11,810,511	5,052,844
Dilutive effect of share options and shares to be issued	<u>482,768</u>	<u>257,522</u>
Diluted weighted average number of shares used for diluted earnings per share	<u>12,293,279</u>	<u>5,310,366</u>
	Pence	Pence
Basic earnings per share	11.38p	(0.52p)
Diluted earnings per share	10.93p	(0.52p)
Continuing basic earnings per share	11.38p	6.69p
Continuing diluted earnings per share	10.93p	6.09p

The continuing earnings per share is calculated after excluding discontinued operations, associated undertakings and exceptional costs.

3 Reconciliation of operating profit to net cash inflow from operating activities

	12 months ending 31 March 2007 £'000	15 months ending 31 March 2006 £'000
Group operating profit	2,087	132
Depreciation	108	38
Share option reserve movement	78	-
Increase in debtors	(1,268)	(206)
Increase in creditors	<u>261</u>	<u>191</u>
	<u>1,266</u>	<u>155</u>

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Notes to the preliminary announcement for the 12 months ended 31 March 2007 (continued)

4 Analysis of net funds/(debt)

	At 1 April 2006 £'000	Cash flow £'000	At 31 March 2007 £'000
Cash at bank and in hand	318	(14)	304
Bank overdraft	<u>(158)</u>	<u>133</u>	<u>(25)</u>
	160	119	279
Bank loans due within one year	(280)	-	(280)
Bank loans due after one year	(1,120)	280	(840)
Hire purchase obligations	<u>(10)</u>	<u>7</u>	<u>(3)</u>
Total net debt	<u>(1,250)</u>	<u>406</u>	<u>(844)</u>

5 Nature of the financial information

The financial information does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the 12 months ended 31 March 2007 is extracted from the group's financial statements to that date which received an unqualified auditors' report and will be filed with the Registrar of Companies. The financial information for the 15 month period ended 31 March 2006 is extracted from the financial statements to that date which received an unqualified auditors' report and have been filed with the Registrar of Companies.

6 Availability of Annual Report

Copies of the annual report will be posted to shareholders in due course. Additional copies will be available to the public, free of charge, from the Company's registered office: 40a Dover Street, Mayfair, London W1S 4NW.