

Prime People plc  
Preliminary Results for the 15 months ended 31 March 2006

2005 was a year of transformation for Prime People ("Prime" or "the Group") as the Board delivered on its stated strategy, announced in May 2005, to develop and broaden the activities of the business.

This objective was achieved in January 2006, with the £10.52m acquisition of Macdonald & Company Group Limited ("Macdonald"), the UK's leading independent professional recruitment consultancy focused on the commercial property sector.

As a consequence of this transaction and a change of year-end, the statutory results for Prime People are for the fifteen months ended 31 March 2006 and only includes three months trading for Macdonald.

Statutory\* financial results:

	15 Months ended 31 March 2006	12 Months ended 31 December 2004
	£'000	£'000
Gross fee income	5,373	2,295
Net Fee Income	3,117	2,108
Operating profit/(loss)	132	(90)
(Loss)/profit before tax	(11)	674
Basic EPS	(0.52p)	18.25p
Basic EPS continuing	6.69p	(4.50p)

*\*Statutory accounts are made up of results for Prime People for the 15 months to 31 March 2006 and for Macdonald for the period from 3 January to 31 March 2006.*

In order to give shareholders a more meaningful assessment of the ongoing business, pro forma consolidated results for the enlarged business for the two years to 31 March 2006, presented as if the ongoing business had been in existence throughout those years, are outlined below:

Pro forma\*\* financial highlights:

	Year ended 31 March 2006	Year ended 31 March 2005	Change %
	£'000	£'000	
Gross Fee Income	16,504	12,372	+33.4%
Direct Costs	(7,699)	(6,004)	
Net Fee Income	<u>8,805</u>	<u>6,368</u>	+38.3%
Admin Expenses	<u>(6,997)</u>	<u>(5,397)</u>	
Operating Profit	1,808	971	+86.2%
Net Interest	(51)	(70)	
Profit before tax	<u>1,757</u>	<u>901</u>	+95.0%
Taxation at 30%	(527)	(270)	
Profit after tax	<u>1,230</u>	<u>631</u>	+94.9%
Fully diluted EPS	<u>10.23p</u>	<u>5.25p</u>	+94.9%

\*\* The basis of preparation of the pro forma calculations is set out below. This information is unaudited:

- Mar 05 and Mar 06 are pro forma for the enlarged Group including Macdonald
- Mar 05 and Mar 06 excludes discontinued operations, associated undertakings (Cameron Kennedy Resources Limited) and exceptional costs
- Fully diluted EPS includes existing share options and assumes that all shares due to the vendors of Macdonald including those to be issued to satisfy the deferred consideration have been issued.

Pro forma Operational highlights:

- Ø Macdonald net fee income growth of 40.2% to £8.23m (2005: £5.87m);
- Ø Fully diluted earnings per share increased by 94.9% to 10.23p
- Ø Fee earners increased by 21%;
- Ø International expansion on track with Dubai representation operational in January 2006 and Hong Kong office planned to open in June 2006;
- Ø Macdonald ranked 20<sup>th</sup> by the Sunday Times in the "Best 100 Small Companies to Work For".

Peter Moore, Managing Director of Prime People said: "2005 was a milestone year for Prime People, in which it was transformed through the reverse takeover of Macdonald & Company into the UK's leading property recruitment company.

"Pro forma results show continued strong performance during the year, with net fee income increasing 38% and operating profits nearly doubling to £1.8m. This reflects both increased levels of activity in the property recruitment sector and our ability to manage the business to take advantage of our increasing scale.

"2006 has got off to a strong start with net fee income in the two month period to the end of May some 20% ahead of the same period last year. We are looking for continued growth from overseas revenues and early indications from our new business in the Middle East are very encouraging. We are also actively seeking to expand the business through acquisition.

"These internal growth opportunities, together with the continued high levels of activity in the global commercial property sector, including the forthcoming introduction of Real Estate Investment Trusts ("REITs") to the UK from January 2007, gives the Board confidence in the future progress of the Company."

-Ends-

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# Chairman's Statement

## Introduction

I am pleased to report on the results of Prime People Plc for the 15 months ended 31 March 2006.

2005 was a milestone year for the Company, its employees and shareholders as the business was transformed by the reverse takeover of Macdonald & Company Group Ltd ("Macdonald") in January 2006 for £10.52 million. I joined the Board of Prime People on completion as Executive Chairman, a position I held at Macdonald, and I am delighted to welcome our new investors and colleagues to the business.

On 16 May 2005, Simon Murphy was appointed to the Board as Chief Executive, with the specific mandate to create shareholder value "by developing and broadening the activities of the business, initially through acquisition". This was successfully achieved with the acquisition of Macdonald, which transformed Prime People into the UK's only listed professional recruitment consultancy focused on the commercial property industry. I would like to thank Simon for his significant contribution to this process and am delighted he has agreed to remain on the Board, as a non-executive director.

The acquisition led to changes to the composition of the Board, reflecting the changed focus of the business. I would like to take this opportunity of introducing my two fellow executive directors.

Peter Moore is Managing Director, with overall responsibility for operational activity in the Group. Peter, a Chartered Surveyor, has been with Macdonald for the last twelve years, and Managing Director for the last ten. He has managed the business through its nine years of double-digit growth. Chris Heayberd remains as Finance Director, having been with Prime People since 2000. Chris has over seventeen years experience of working with, acquiring and integrating recruitment businesses as well as thirteen years as a director of publicly listed companies. I am delighted Chris has agreed to remain in his role as Finance Director of the enlarged Group and his experience will be invaluable as we continue to expand the business. My own experience includes over 30 years in the recruitment sector and founder of Macdonald.

Peter Hearn and David Coubrough, formerly Chairman and non-executive Director, respectively, stepped down from the Board at the time of the transaction.

## Statutory Results

The statutory results for Prime People are for the fifteen months ended 31 March 2006 and include three months trading for Macdonald. These are set out in full in the financial statements at the end of this release.

Following the acquisition of Macdonald, Prime People was transformed into a very different business, with a changed year end. In order to give shareholders a more meaningful assessment of the ongoing business, pro forma consolidated results for the enlarged business for the year to 31 March 2006, presented as if the ongoing business had been in existence throughout the year are set out below.

## Pro forma Results for the ongoing business for the year to 31 March 2006

With Prime People's new focus on the property recruitment market, I am pleased to report that the sector has enjoyed significant growth in recent years. This is reflected in our pro forma results which are presented below for the twelve months to 31 March 2006 as if the ongoing businesses had all been in existence throughout the year. Comparatives have been prepared on the same basis.

Pro forma financial results:

	Year ended 31 March 2006	Year ended 31 March 2005	Change %
	£'000	£'000	
Gross Fee Income	16,504	12,372	+ 33.4%
Direct Costs	(7,699)	(6,004)	
Net Fee Income	8,805	6,368	+ 38.3%
Admin Expenses	(6,997)	(5,397)	
Operating Profit	1,808	971	+ 86.2%
Net Interest	(51)	(70)	
Profit before tax	1,757	901	+ 95.0%
Taxation at 30%	(527)	(270)	
Profit after tax	1,230	631	+94.9%
Fully diluted EPS	10.23p	5.25p	+94.9%

Prime People includes the trading businesses of Macdonald and Harper Craven Associates. Pro forma Net Fee Income has grown by 38% to £8.8m (2005: £6.4m). Pro forma profit before tax for 2006 was £1.76m (2005: £0.9m) a 95% increase.

In addition to the tight management of our business, a number of external factors have been driving this growth. I am pleased to report that these look set to continue to be positive for us. The global strength of the commercial property sector, combined with the advent of Real Estate Investment Trusts ("REITs") and the continuing investment in regeneration and major infrastructure projects in the UK, give me added confidence in Prime People's future growth prospects within its core business.

The strong underlying performance of Macdonald over the past year has led the Board to propose a final dividend of 1p per ordinary share. This will be paid on 5 July 2006 to shareholders on the register on 16 June 2006 and brings the total dividend paid to shareholders to 2.25 pence per share. Going forward, it is anticipated that the Board will review the dividend in the light of trading and likely cash requirements of the Group at the relevant time.

### Future Activity

As announced in December, we believe our core business is a long way from fulfilling its potential. We are actively planning organic growth whilst at the same time considering acquisition targets of an appropriate size and operational fit within the property sector, particularly those which may provide access to additional areas of specialism.

As referred to below by Peter Moore, we are progressing our plans to broaden the business overseas. We believe that, over time, and in addition to accessing growth markets, an international business model should provide a degree of counter-cyclical support to our business.

Currently our focus is on the property sector but the Board believes that when appropriate, it may be possible to apply the Macdonald model to certain other sectors and we have this under constant review.

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

Robert Macdonald  
Chairman

6 June 2006

## Managing Director's Statement

### Macdonald

Our core business is the provision of recruitment services to the Commercial Property and Real Estate markets in the UK and around the world, a sector managing assets in the UK alone valued at £640bn. It trades as Macdonald & Company and is the only property recruitment consultancy to be approved by the Royal Institution of Chartered Surveyors ("RICS").

We have seen a further increase in revenue and profit over the past year as the business has maintained its record of consistent growth. Net fee income ("NFI") increased by 40.3% from £5.87m to £8.23m reflecting an increase in fee earners of 21%, bringing our total number of consultants to 64 at the year end. Details of the split between temporary and permanent net fee income is shown below:

	Year ended 31 March 2006	Year ended 31 March 2005	Change %
	£'000	£'000	
Net fee income – temporary	1,951	1,411	+ 38.27 %
Net fee income – permanent	6,282	4,456	+ 40.98%
Total NFI	8,233	5,867	+ 40.33%

In January 2006, we began the first stage of our international expansion strategy, with the relocation of fee earning staff to Dubai. Progress in this region has been rapid and we anticipate that the region will be a strong contributor to NFI in 2006/2007. The operation will be expanded significantly in the coming year to capitalise on the burgeoning opportunities across the Middle East.

In March this year, the Board took the decision to begin operations in Hong Kong and it is anticipated that staff will be relocating to the office there in the summer of 2006 with plans for rapid growth. We are also actively seeking opportunities to establish an operation in Australia.

In the UK, we moved to larger premises in central Manchester to accommodate the growth in numbers employed in that region. Our head office remains in Mayfair, London where we are benefiting from a refurbishment programme undertaken in 2005 to increase the number of fee earners that can be accommodated.

We have also reconfigured our data management process to allow secure access to all records held on our centralised data-base. This new structure provides immediate access to our central recruitment data-base for all fee earning staff, including those based internationally.

## 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 contribution of £29,673 to group profits before tax compared to £17,101 in 2004.

## Outlook

2006 has got off to a strong start with net fee income in the two month period to the end of May 20% ahead of the same period last year. Overseas revenue generation is a key priority of the Board as the business expands into new geographic territories. Early indications from business flows in the Middle East are very encouraging.

This, combined with increasing fee earner numbers, the introduction of REITs to the UK from January 2007 as well as the longer term opportunities offered by regeneration and ongoing infrastructure projects in the UK, gives the Board confidence in the future progress of the Group.

## Our people

Finally, I should like to thank our staff for their hard work and commitment over the last fifteen months and remind shareholders that these results are a testament to their efforts. The Sunday Times ranked Macdonald 20<sup>th</sup> in their "100 Best Small Companies To Work For", recognising the positive culture we have established in the business. The hallmark of a successful recruitment company is the provision of outstanding candidates through exceptional service and industry knowledge and I, my managers, our consultants and all members of staff are committed to this.

Peter Moore  
Managing Director

6 June 2006

## Financial Review

The financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS). This is significantly ahead of schedule as AIM quoted companies do not have to report under IFRS until 2007.

### Trading Results

Gross fee income for the period ended 31 March 2006 increased by 134% to £5,373,053 (31 December 2004: £2,294,548). The group generated operating profits of £317,225 (2004: loss £283,243) before exceptional items of £185,700 relating to restructuring and integration costs in 2006 and before an operating profit of £193,721 in 2004 which relates to the discontinued business in 2004. This turnaround is entirely as a result of the operating profit generated since the acquisition of Macdonald in January 2006.

### Associate Undertaking

Following the period end, we announced the disposal of our 44.66% interest in Cameron Kennedy for a cash consideration of £180,000. This business was significantly underperforming and the Board concluded it was in the best interests of shareholders to dispose of it. The write down of the value of our holding taken together with our share of the associate company's losses gives rise to a loss on disposal of £234,676.

### Interest

The interest receivable of £134,253 primarily arose in the twelve month period leading up to the acquisition of Macdonald in January 2006.

The interest charged for the period of £42,109 comprises interest in respect of the confidential invoice discounting facility, bank loan and overdraft.

### Taxation

The taxation charge is £15,510 on a loss on ordinary activities before taxation of £11,007. The reasons for the difference from the standard UK corporation tax rate of 30% are detailed in note 8 of the accounts. The group has benefited from utilisation of tax losses created in the year.

### Earnings Per Share

The basic loss per share for the period is 0.52p (2004: earnings 18.25p); the continuing basic earnings per share is 6.69p compared to a loss in 2004 of 4.50p.

The continuing diluted earnings per share is 6.09p (2004: loss per share 4.50p).

### Dividend

As outlined in the chairman's statement, the directors propose a final dividend of 1p which will be paid on 5 July 2006 to shareholders who are on the register on the 16 June 2006 making a total dividend for the period of 2.25p.

#### Purchase of Macdonald & Company Group Limited

On 3 January 2006 the group completed the acquisition of the entire share capital of Macdonald & Company Group Limited for an initial consideration of £9.52 million satisfied by payment of £3.5 million in cash and the issue of New ordinary shares in the company to the value of 6.02 million. Further consideration of £1 million is payable immediately following the announcement of the company's preliminary results and will be satisfied by issuing further new ordinary shares in the group.

#### Share Consolidation

In conjunction with the acquisition of Macdonald the share capital of the company was re-organised by the consolidation of every ten issued ordinary shares of 1p each into one new ordinary share of 10p each.

#### Change of Accounting Reference Date

Following the acquisition of Macdonald the company changed its accounting reference date from 31 December to 31 March to correspond with the year end of Macdonald.

#### Treasury Management.

Net cash inflow of £154,792 (2004: outflow of £93,986) was generated from operating activities during the period which after net taxation payments of £584,864 (2004: net receipt of £74,350) resulting in a net cash outflow from operating activities of £430,072 (2004: £19,636).

Net cash used in investing activities totaled £9.6 million and this was principally financed by the issue of ordinary share capital to the value of £6.02m to the vendors of Macdonald together with a new bank loan of £1.4m and the use of existing cash resources from within the group.

The group maintains a range of facilities with a net debt position at 31 March 2006 of £1,250,248 compared to net funds of £2,800,187 at 31 December 2004. This largely reflects the cash flows and debt relating to the acquisition of Macdonald.

Christopher Heayberd  
Finance Director

6 June 2006

Prime People Plc

Consolidated income statement for the 15 months ended 31 March 2006

	Note	2006 £	2004 restated £
Gross fee income			
- ongoing		799,187	708,653
- acquisition		4,573,866	-
- discontinued		-	<u>1,585,895</u>
		<u>5,373,053</u>	<u>2,294,548</u>
Direct costs			
- ongoing		(243,700)	(179,571)
- acquisition		(2,012,703)	-
- discontinued		-	<u>(7,240)</u>
		<u>(2,256,403)</u>	<u>(186,811)</u>
Net fee income		3,116,650	2,107,737
Administrative expenses			
- ongoing		(819,675)	(812,325)
- acquisition		(1,979,750)	-
- discontinued		-	(1,384,934)
- exceptional item		<u>(185,700)</u>	-
		<u>(2,985,125)</u>	<u>(2,197,259)</u>
Operating profit /(loss)			
- ongoing		(264,188)	(283,243)
- acquisition		581,413	-
- discontinued		-	193,721
- exceptional item		<u>(185,700)</u>	-
		<u>131,525</u>	<u>(89,522)</u>
Share of operating (loss)/profit in associate		<u>(78,756)</u>	<u>87,133</u>
Amortisation of goodwill		-	(12,000)
Impairment loss in associated undertaking		<u>(155,920)</u>	-
		<u>(234,676)</u>	<u>75,133</u>
Loss before interest		<u>(103,151)</u>	<u>(14,389)</u>
Profit on disposal of subsidiary		-	609,844
Interest receivable and similar income		134,253	79,530
Interest payable and similar charges		(42,109)	(487)
(Loss)/profit before taxation		<u>(11,007)</u>	<u>674,498</u>

Prime People Plc

Consolidated income statement for the 15 months ended 31 March 2006  
(continued)

	Note	2006 £	2004 restated £
Taxation		(15,510)	(2,112)
Profit after tax for continuing activities		52,239	585,253
Share of (loss)/profit after tax in associate		(78,756)	87,133
(Loss)/profit for the period attributable to equity shareholders		(26,517)	672,386
(Loss)/earnings per share	2		
- Basic		(0.52p)	18.25p
- Diluted		(0.52p)	17.65p
- Continuing basic		6.69p	(4.50p)
- Continuing diluted		6.37p	(4.50p)

All recognised gains and losses are included in the profit and loss account.

Prime People Plc

Consolidated statement of changes in shareholders' equity at 31 March 2006

	Called up Share capital £	Shares to be issued £	Share premium account £	Other reserve £	Retained earnings £	Total £
At 1 January 2004	368,467	-	909,925	173,077	575,476	2,026,945
Profit for the year	-	-	-	-	672,386	672,386
Goodwill eliminated on disposal of subsidiary	-	-	-	-	641,006	641,006
At 31 December 2004	<u>368,467</u>	<u>-</u>	<u>909,925</u>	<u>173,077</u>	<u>1,888,868</u>	<u>3,340,337</u>
New shares issued	715,559	-	5,304,441	-	-	6,020,000
Consideration shares to be issued	-	1,000,000	-	-	-	1,000,000
Equity dividends	-	-	-	-	(46,090)	(46,090)
Loss for the year	-	-	-	-	(26,517)	(26,517)
At 31 March 2006	<u>1,084,026</u>	<u>1,000,000</u>	<u>6,214,366</u>	<u>173,077</u>	<u>1,816,261</u>	<u>10,287,730</u>

Prime People Plc

Consolidated balance sheet at 31 March 2006

	2006	2004 restated
	£	£
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill	9,769,229	-
Property, plant and equipment	259,861	44,028
Investment in associate	-	411,676
Deferred tax asset	74,669	-
	<u>10,103,759</u>	<u>455,704</u>
<b>Current assets</b>		
Investment held for sale	177,000	-
Trade and other receivables	3,332,890	262,052
Cash and cash equivalents	317,877	2,835,981
	<u>3,827,767</u>	<u>3,098,033</u>
<b>Total assets</b>	<b>13,931,526</b>	<b>3,553,737</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Financial liabilities – borrowings	445,001	23,297
Trade and other payables	1,771,922	177,598
Current tax liabilities	303,749	8
	<u>2,520,672</u>	<u>200,903</u>
<b>Non-current liabilities</b>		
Financial liabilities – borrowings	1,123,124	12,497
	<u>1,123,124</u>	<u>12,497</u>
<b>Total liabilities</b>	<b>3,643,796</b>	<b>213,400</b>
<b>Net assets</b>	<b>10,287,730</b>	<b>3,340,337</b>

Prime People Plc

Consolidated balance sheet at 31 March 2006 (continued)

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	2006	2004
	£	restated £
Capital and reserves		
Called up share capital	1,084,026	368,467
Share premium account	6,214,366	909,925
Other reserve	173,077	173,077
Consideration shares to be issued	1,000,000	-
Retained earnings	1,816,261	1,888,868
	<hr/>	<hr/>
Equity shareholders' funds	10,287,730	3,340,337
	<hr/>	<hr/>

Prime People Plc

Consolidated cash flow statement for the 15 months ended 31 March 2006

	Note	2006 £	2004 restated £
<b>Cash flows from operating activities</b>			
Cash generated by operations	3	154,792	(93,986)
Taxation received		4,815	74,350
Corporation tax paid		(589,679)	-
		<u>          </u>	<u>          </u>
Net cash used in operating activities		(430,072)	(19,636)
<b>Cash flows from investing activities</b>			
Interest received		134,253	79,530
Interest paid		(42,109)	(487)
Purchase of subsidiary undertaking		(9,875,994)	-
Net cash acquired with business		202,368	-
Proceeds from sale of subsidiary undertaking		-	1,905,284
Net cash disposed with subsidiary		-	(53,986)
Net purchase of property, plant and equipment		(12,791)	(35,792)
		<u>          </u>	<u>          </u>
Net cash (from)/used in investing activities		(9,594,273)	1,894,549
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital		6,020,000	-
New bank loan		1,400,000	-
Capital element of finance leases		(9,373)	(2,501)
Dividend paid to shareholders		(46,090)	-
		<u>          </u>	<u>          </u>
Net cash used in/(from) financing activities		7,364,537	(2,501)
		<u>          </u>	<u>          </u>
Net (decrease)/increase in cash and cash equivalents		(2,659,808)	1,872,412
Cash and cash equivalents at 1 January 2005		2,820,182	947,770
		<u>          </u>	<u>          </u>
Cash and cash equivalents at 31 March	4	160,374	2,820,182
		<u>          </u>	<u>          </u>

## 1 Accounting policies

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

### *Basis of preparation*

These financial statements have been prepared for the first time 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 disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS did not require the company to change accounting policies resulting in a change in the value of the figures reported in the accounts. The only changes identified under IFRS have been in the presentation of the figures.

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 current 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 calculations are shown below.

Prime People Plc

Notes to the preliminary announcement for the 15 month period ended 31 March 2006 (continued)

	2006	2004 restated
	£	£
Retained (loss)/profit for basic (loss)/earnings per share	(26,517)	672,386
Tax on (loss)/ profit	15,510	2,112
Exceptional item	185,700	-
Loss/(profit) arising from associate undertaking	234,676	(75,133)
Operating profit from discontinued business	-	(193,721)
Profit on disposal of subsidiary	-	(609,844)
	<u>409,369</u>	<u>(204,200)</u>
Profit before tax, exceptional items		
Taxation	(71,220)	38,564
	<u>338,149</u>	<u>(165,636)</u>
Adjusted retained profit/(loss) for adjusted earnings per share		
	Number	Number
Weighted average number of shares used for basic and continuing earnings per share	5,052,844	3,684,670
Dilutive effect of share options and shares to be issued	257,522	124,126
	<u>5,310,366</u>	<u>3,808,796</u>
Diluted weighted average number of shares used for diluted earnings per share		

The weighted average number of shares in 2004 has been calculated as if the consolidation of every 10 issued ordinary shares of 1p each into one new ordinary share of 10p each had taken place at the beginning of the year.

	Pence	Pence
Basic earnings per share	(0.52p)	18.25p
Diluted earnings per share	(0.52p)	17.65p
Continuing basic earnings per share	6.69p	(4.5p)
Continuing diluted earnings per share	6.09p	(4.5p)
Discontinued basic earnings per share	-	22.75p
Discontinued diluted earnings per share	-	22.15p

Prime People Plc

Notes to the preliminary announcement for the 15 month period ended 31 March 2006 (continued)

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

	Ongoing		Discontinued		Total	Total
	2006	2004	2006	2004	2006	2004
	£	£	£	£	£	£
Group operating profit/(loss)	131,525	(283,243)	-	193,721	131,525	(89,522)
Depreciation	38,127	11,189	-	22,595	38,127	33,784
Loss/(profit) on sale of tangible fixed assets	90	(1,800)	-	-	90	(1,800)
Increase in debtors	(205,943)	(41,329)	-	(114,232)	(205,943)	(155,561)
Increase/(decrease) in creditors	190,993	193,676	-	(74,563)	190,993	119,113
Net cash inflow/(outflow) from operating activities	<u>154,792</u>	<u>(121,507)</u>	<u>-</u>	<u>27,521</u>	<u>154,792</u>	<u>(93,986)</u>

## Prime People Plc

Notes to the preliminary announcement for the 15 month period ended 31 March 2006 (continued)

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### 4 Analysis of net funds/(debt)

	At 1 January 2005 £	Cash flow £	At 31 March 2006 £
Cash at bank and in hand	2,835,981	(2,518,104)	317,877
Bank overdraft	(15,799)	(141,704)	(157,503)
	<hr/>	<hr/>	<hr/>
	2,820,182	(2,659,808)	160,374
Bank loans due within one year	-	(280,000)	(280,000)
Bank loans due after one year	-	(1,120,000)	(1,120,000)
Hire purchase obligations	(19,995)	9,373	(10,622)
	<hr/>	<hr/>	<hr/>
Total funds/(debt)	2,800,187	(4,050,435)	(1,250,248)
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### 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 period ended 31 March 2006 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 year ended 31 December 2004 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 on 12 June. Additional copies will be available to the public, free of charge, from the Company's registered office: 40a Dover Street, Mayfair, London W1S 4NW.