



Prime People Plc
Interim Report

for the six months ended 30 September 2018

2018

PRIME PEOPLE PLC
UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT
For the six months ended 30 September 2018

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19th November 2018

Prime People Plc

Unaudited Condensed Consolidated Interim Report for the six months ended 30 September 2018

CHAIRMAN'S STATEMENT

Overview

I am pleased to report the results for Prime People Plc for the half-year ended 30 September 2018.

As referred in our 2018 Annual Report, the Financial Statements for H1 reflect the Group's adoption of IFRS 15, which has required a change in the Group's accounting policy for revenue recognition. We are now reporting revenue based on invoices delivered as opposed to the previous treatment based on the value of contracts formed.

Further detail on the impact of the IFRS 15 is set out in Note 2 of the financial statements.

The Group recorded a profit before tax for the period of £1.59m (H1 2018: £0.65m) on revenue of £12.57m (H1 2018: £11.27m). It is estimated that the Group's profit before tax for H1 2019, if prepared under the previous accounting standard and adjusted for the contribution from Command Recruitment Group (HK) Ltd ("CMD"), in which we acquired a 60% holding in October 2017, would have been in line with last year. During the period, after deducting minorities, CMD contributed profit before tax of £0.35m.

The change in accounting policy did not have any impact on the reporting of Net Fee Income ("NFI") of our contract business or that reported by CMD.

Financial Results

Group revenue was 11.54% higher than the same period last year at £12.57m (H1 2018: £11.27m).

Group NFI, which now describes invoices delivered during the period, was £7.99m (H1 2018: £6.15m). Our overseas business, which includes a contribution from CMD, showed strong NFI performance increasing to £4.13m (H1 2018: £2.31m) and contributed 55.76% of Group permanent NFI (H1 2018: 42.27%). NFI recorded by CMD during the period was £1.68m (H1 2018: £Nil), disclosed in Note 3 under the Group's Asia regional performance. NFI for the UK business remained stable at £3.86m (H1 2018: £3.84m).

As noted above, contract NFI is not affected by IFRS 15 and decreased by 16.28% against the comparative period, as a consequence of a change in public sector client requirements resulting from ITEPA Act 2003 legislative changes. The ratio of NFI derived from contract as against permanent placements was 7:93 (2017: 11:89).

CHAIRMAN'S STATEMENT (cont)

Administrative costs for the group were £6.40m during the period (H1 2018: £5.50m). The increase over the first six months of last year relates to the inclusion of CMD operating costs, investment in a new CRM system, improved information technology platforms, increased spend on talent training and higher property costs associated with our Hong Kong office relocation at the start of the period.

In the UK, profit before tax grew to £0.62m from £0.51m in the same period in the prior year.

Our Asia business, which covers the Group activities in Hong Kong and Singapore, closed H1 2019 with profit before tax of £0.95m (H1 2018: £0.26m), of which £0.58m related to CMD before adjustment for minority interest.

Our business in Dubai, disclosed under Rest of the World below, reported a small profit of £21k which is an improvement on the reported loss of £117k in the comparative period last year.

The charge for taxation of £0.10m (H1 2018: £0.14m) is based on the expected annual effective tax rate of 19% (2017: 19%).

Basic earnings per share for the period were 12.60p (2017: 4.16p).

Cash Flow

The Group continues to maintain a strong net cash position. At the start of the current financial year, the Group had cash of £1.23m, and at this period end, had cash of £1.77m (H1 2018: £2.57m), after paying £0.44m for assets in Asia.

Dividend

The Board will be declaring an increased interim dividend of 1.80p (2017: 1.75p) payable on 7 December 2018 to those shareholders whose names are on the register on 30 November 2018.

Outlook

Given the uncertainties of UK markets through to March 2019 and potentially beyond, we do not expect the second half trading to exceed the first half. We expect underlying trading from our Asia offices to be comparable to the first half of this financial year.

The present focus for the Group is managing the business costs in relation to revenue, improving productivity and increasing profitability. Notwithstanding the mixed economic picture in today's markets, we continue to seek opportunities to create shareholder value.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

Robert Macdonald

Executive Chairman
19th November 2018

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PRIME PEOPLE PLC
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2018

		Six months ended		Year ended
		30 September	30 September	31 March
	Note	2018	2017	2018
		£'000	£'000	£'000
Revenue	3	12,572	11,271	22,916
Cost of sales		(4,584)	(5,123)	(9,769)
Net fee income		7,988	6,148	13,147
Administrative expenses		(6,399)	(5,501)	(11,954)
Operating profit		1,589	647	1,193
Profit before taxation		1,589	647	1,193
Income tax expense	4	(104)	(139)	(166)
Profit for the period/year		1,485	508	1,027
Other comprehensive income / (loss)				
Exchange gain/ (loss) on translating foreign operations		121	(170)	(243)
Other Comprehensive income/ (loss) for the period/ year, net of tax		121	(170)	(243)
Total comprehensive income for the period/year		1,606	338	784
Attributable to:				
Equity shareholders of the parent		1,412	338	779
Non-controlling interest		194	-	5
Earnings per share	6			
Basic earnings per share		12.60p	4.16p	8.72p
Diluted earnings per share		12.43p	4.06p	8.58p

The above results relate to continuing operations.

The notes on pages 8 to 15 form an integral part of this unaudited condensed consolidated interim report.

PRIME PEOPLE PLC
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

		30 September 2018 £'000	30 September 2017 £'000	31 March 2018 £'000
	Note			
Assets				
Non-current assets				
Goodwill		10,527	9,769	10,527
Property, plant and equipment		577	228	242
Deferred tax asset		45	43	45
		11,149	10,040	10,814
Current assets				
Trade and other receivables	9	4,242	4,735	5,616
Current tax asset		-	-	41
Cash and cash equivalents		1,778	2,569	1,234
		6,020	7,304	6,891
Total assets		17,169	17,344	17,705
Liabilities				
Current Liabilities				
Trade and other payables	10	2,746	2,221	2,679
Current tax liabilities		61	84	-
		2,807	2,305	2,679
Non-current liabilities				
Deferred tax liabilities		22	-	22
Total liabilities		2,829	2,305	2,701
Net assets		14,340	15,039	15,004
Capital and reserves attributable to the Company's equity holders				
Called up share capital		1,229	1,229	1,229
Capital redemption reserve		9	9	9
Treasury shares		(439)	(45)	(421)
Share premium account		5,371	5,371	5,371
Merger reserve		173	173	173
Share option reserve		411	329	314
Currency translation differences		611	563	490
Retained earnings		6,706	7,410	7,764
Equity shareholders' funds		14,071	15,039	14,929
Non-controlling interest		269	-	75
Total Equity		14,340	15,039	15,004

The notes on pages 8 to 15 form an integral part of this unaudited condensed consolidated interim report.

PRIME PEOPLE PLC
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2018

	Called up share capital	Capital Redempti on reserve	Treasury shares	Share premium account	Merger reserve	Share option reserve	Translat ion reserve	Retained Earnings	Total attributable to equity holders of the parent £'000	Non- controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	1,229	9	(21)	5,371	173	280	733	7,299	15,073	-	15,073
Profit for the period	-	-	-	-	-	-	-	508	508	-	508
Other comprehensive income	-	-	-	-	-	-	(170)	-	(170)	-	(170)
Adjustment in respect of share options	-	-	-	-	-	49	-	-	49	-	49
Shares purchased for treasury	-	-	(24)	-	-	-	-	-	(24)	-	(24)
Dividend	-	-	-	-	-	-	-	(397)	(397)	-	(397)
At 30 Sept 2017	1,229	9	(45)	5,371	173	329	563	7,410	15,039	-	15,039

PRIME PEOPLE PLC
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2018

	Called up share capital	Capital Redempt ion reserve	Treasury shares	Share premium account	Merger reserve	Share option reserve	Translati on reserve	Retained Earnings	Total attributabl e to equity holders of the parent	Non- control ling interes t	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 Sept 2017	1,229	9	(45)	5,371	173	329	563	7,410	15,039	-	15,039
Profit for the period	-	-	-	-	-	-	-	514	514	5	519
Other comprehensive income	-	-	-	-	-	-	(73)	-	(73)	-	(73)
Adjustment in respect of share schemes	-	-	-	-	-	(15)	-	60	45	-	45
Shares purchased for treasury	-	-	(384)	-	-	-	-	-	(384)	-	(384)
Shares issued from treasury	-	-	3	-	-	-	-	-	3	-	3
Acquisition of subsidiary with Non- Controlling interest	-	-	-	-	-	-	-	-	-	70	70
Adjustment on share disposal	-	-	5	-	-	-	-	(5)	-	-	-
Dividend	-	-	-	-	-	-	-	(215)	(215)	-	(215)
At 31 March 2018	1,229	9	(421)	5,371	173	314	490	7,764	14,929	75	15,004
Profit for the period	-	-	-	-	-	-	-	1,291	1,291	194	1,485
Adjustment in respect of IFRS 15	-	-	-	-	-	-	-	(1,977)	(1,977)	-	(1,977)
Other comprehensive income	-	-	-	-	-	-	121	-	121	-	121
Adjustment in respect of share schemes	-	-	-	-	-	97	-	-	97	-	97
Shares purchased for treasury	-	-	(16)	-	-	-	-	-	(16)	-	(16)
Shares issued from treasury	-	-	2	-	-	-	-	-	2	-	2
Adjustment on share disposal	-	-	(4)	-	-	-	-	10	6	-	6
Dividend	-	-	-	-	-	-	-	(382)	(382)	-	(382)
At 30 Sept 2018	1,229	9	(439)	5,371	173	411	611	6,706	14,071	269	14,340

PRIME PEOPLE PLC
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW
For the six months ended 30 September 2018

		Six months ended		Year ended
		30 September 2018	30 September 2017	31 March 2018
	Note	£'000	£'000	£'000
Cash generated from underlying operations	7	1,260	1,028	1,320
Income tax paid		(4)	(128)	(256)
Income tax received		2	-	-
Net cash from operating activities		1,258	900	1,064
Cash flows from investing activities				
Net purchase of property, plant and equipment		(438)	(149)	(209)
Purchase of subsidiary, net of cash acquired		-	-	(771)
Net cash used in investing activities		(438)	(149)	(980)
Cash flows from financing activities				
Issue of ordinary share capital		-	-	-
Shares issued from treasury		2	-	-
Shares purchased for treasury		(16)	(24)	(408)
Dividend paid to shareholders		(383)	(397)	(612)
Net cash used in financing activities		(397)	(421)	(1,020)
Net increase/ (decrease) in cash and cash equivalents		423	330	(936)
Cash and cash equivalents at beginning of period/year		1,234	2,409	2,409
Effect of foreign exchange rate changes		121	(170)	(239)
Cash and cash equivalents at end of period/year		1,778	2,569	1,234

The notes on pages 8 to 15 form an integral part of this unaudited condensed consolidated interim report.

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 and the Asia Pacific region from which it serves an international client base. The Group offers both permanent and contract specialist recruitment consultancy for large and medium sized organisations.

Prime People Plc is the Group's ultimate parent company. The Company is a limited liability company incorporated and domiciled in the United Kingdom. The address of Prime People Group's registered office and its principal place of business is 2 Harewood Place, London, W1S 1BX, England. Prime People Group's shares are quoted on the Alternative Investment Market (AIM) of the London Stock Exchange. The registered number of the company is 1729887.

This unaudited condensed consolidated interim report for the six months ended 30 September 2018 (including comparatives) is presented in GBP '000 and was approved and authorised for issue by the Board of Directors on 19 November 2018.

Copies of the interim results are available at the Company's registered office and on the Company's website – www.prime-people.co.uk.

This unaudited condensed consolidated interim report does not constitute statutory accounts of the Group within the meaning of section 434 of the Companies Act 2006. The financial information for the year ended 31 March 2018 has been extracted from the statutory accounts for that year, which have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2. Basis of preparation

The unaudited condensed consolidated interim report for the six months ended 30 September 2018 has been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRSs") and in accordance with 'IAS 34, Interim financial reporting', as adopted by the European Union. The condensed consolidated interim report should be read in conjunction with the annual financial statements for the year ended 31 March 2018 which were prepared in accordance with IFRSs as adopted by the European Union.

The Group was profitable for the period and has considerable financial resources comprising £1.77m of net cash at 30 September 2018. After making enquiries, the Directors have formed a judgement, at the time of approving the six months results, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months. For this reason, the Directors continue to adopt the going concern basis in preparing the condensed set of financial statements.

These financial statements have been prepared under the historical cost convention.

Basis of preparation (continued)

The Group adopted IFRS 15 standard- Revenue from Contracts with Customers from 1st April 2018. Under the standard, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange of transferring goods or services to a customer.

The Group has applied IFRS 15 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The following table summarise the impacts of adopting IFRS 15 on the Group’s consolidated interim report for the period ending 30 September 2018.

	Reported as at 30 September 2018 £'000	Adjustments Under IFRS 15 £'000	Balance without adopting IFRS 15 £'000
Revenue	12,572	(322)	12,250
Accrued Income	-	1,654	1,654
Retained Earnings	6,706	1,654	8,360
Retained profit for basic and diluted earnings per share	1,485	(459)	1,026
Basic earnings per share	12.60p	(3.89p)	8.71p
Diluted earnings per share	12.43p	(3.84p)	8.59p

The resulting changes in the timing of revenue and cost recognition aligns the financial results more closely with the timing of the delivery of services to our clients. The standard introduces direct link between the value provided to a client and the timing of revenue recognition, as revenue is recognised when a candidate starts an assignment.

Permanent revenue is recognised from permanent placements based on a percentage of candidate’s remuneration package. The impact of the transition to IFRS 15 resulted in revenue recognised at the point that the candidate starts the job, as opposed to the previous policy which recognised permanent revenue at the date an offer is made. A provision is made against cancellation of placements shortly after commencement of employment. The transition to IFRS 15 on permanent revenue has been accounted for under the cumulative effect method.

Contract revenue, which represents amounts billed for the services of temporary staff, including the salary costs of these staff, is recognised when the service has been provided. This basis of revenue recognition is consistent with IFRS 15 with no effect on revenue earned on temporary placements.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of the condensed consolidated interim report

3. Segment reporting

(a) Revenue and net fee income by geographical region

	Revenue			Net fee income		
	Six months ended		Year ended	Six months ended		Year ended
	30 September	30 September	31 March	30 September	30 September	31 March
	2018	2017	2018	2018	2017	2018
	£'000	£'000	£'000	£'000	£'000	£'000
UK	8,439	8,963	17,515	3,855	3,840	7,746
Asia	3,866	2,121	5,060	3,866	2,121	5,060
Rest of World	267	187	341	267	187	341
	12,572	11,271	22,916	7,988	6,148	13,147

All revenues disclosed by the group are derived from external customers and are for the provision of recruitment services. The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit before taxation represents the profit earned by each segment after allocations of central administration costs.

(b) Revenue and net fee income by classification

	Revenue			Net fee income		
	Six months ended		Year ended	Six months ended		Year ended
	30 September	30 September	31 March	30 September	30 September	31 March
	2018	2017	2018	2018	2017	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Permanent						
- UK	3,279	3,227	6,551	3,279	3,152	6,548
- Asia	3,866	2,121	5,060	3,866	2,121	5,060
- Rest of World	267	187	341	267	187	341
Contract (UK)	5,160	5,736	10,964	576	688	1,198
	12,572	11,271	22,916	7,988	6,148	13,147

PRIME PEOPLE PLC
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT
For the six months ended 30 September 2018

(c) Profit before taxation by geographical region

	Six months ended		Year ended
	30 September	30 September	31 March
	2018	2017	2018
	£'000	£'000	£'000
UK	621	508	906
Asia	947	256	489
Rest of World	21	(117)	(202)
Profit before taxation	1,589	647	1,193
Net finance income	-	-	-
Profit before taxation	1,589	647	1,193

Operating profit is the measure of profitability regularly viewed by the Board, which collectively acts as the Chief Decision Maker. Consequently, no segmental analysis of interest or tax expenses is provided.

(d) Segment Assets and Liabilities by Geographical Region

	Total assets		Total liabilities	
	30September	30September	30September	30September
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
UK	11,725	13,153	1,553	1,834
Asia	5,033	3,683	1,215	435
Rest of World	411	508	61	36
Total	17,169	17,344	2,829	2,305

The analysis above is of the carrying amount of reportable segment assets and liabilities. Segment assets and liabilities include items directly attributable to a segment and include income tax assets and liabilities.

4. Income tax expense

The charge for taxation on profits for the interim period amounted to £104k (2017: £139k) an effective rate of 19% (2017: 19%).

Segment reporting (continued)

5. Dividends

	Six months ended		Year ended
	30 September 2018 £'000	30 September 2017 £'000	31 March 2018 £'000
Final dividend for 2018: 3.25p per share (2017: 3.25p per share)	383	397	397
Interim dividend for 2018 1.75p per share (2017: 1.75p per share)	-	-	215
	383	397	612

The interim dividend for 2019 of 1.80 pence (2018: 1.75 pence paid on 24 November 2017), was approved by the board on 19 November 2018 and will be paid on 7 December 2018 to those shareholders whose names are on the register on 30 November 2018.

6. Earnings per share

Earnings per share (EPS) are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Fully diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares by existing share options assuming dilution through conversion of all existing options.

Earnings and weighted average number of shares from continuing operations used in the calculations are shown below:

	Six months ended		Year ended
	30 September 2018 £'000	30 September 2017 £'000	31 March 2018 £'000
Retained profit for basic and diluted earnings per share	1,485	508	1,027
	Number	Number	Number
Weighted average number of shares used for basic earnings per share	11,784,523	12,244,023	11,784,523
Dilutive effect of share options	163,413	302,018	184,146
Diluted weighted average number of shares used for diluted earnings per share	11,974,936	12,546,041	11,968,669

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Earnings per share (continued)

	Six months ended		Year ended
	30 September 2018 £'000 Pence	30 September 2017 £'000 Pence	31 March 2018 £'000 Pence
Basic earnings per share	12.60p	4.16p	8.72p
Diluted earnings per share	12.43p	4.05p	8.58p

7. Reconciliation of profit before tax to cash flow from operating activities

	Six months ended		Year ended
	30 September 2018 £'000	30 September 2017 £'000	31 March 2018 £'000
Profit before taxation	1,589	647	1,193
Adjust for:			
Depreciation	104	56	123
Share based payment expense	97	50	94
Operating cash flow before changes in working capital	1,790	753	1,410
(Increase)/ decrease in receivables	(596)	365	(434)
Increase/ (decrease) in payables	66	(90)	344
Cash generated from / (use by) underlying operations	1,260	1,028	1,320

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

	Six months ended		Year ended
	30 September 2018 £'000	30 September 2017 £'000	31 March 2018 £'000
Increase/ (decrease) in cash and cash equivalents in period/year	423	330	(936)
Net funds at the start of the period/year	1,234	2,409	2,409
Other non-cash changes	121	(170)	(239)
Net funds at the end of the period/year	1,778	2,569	1,234

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9. Trade and other receivables

	30 September 2018 £'000	30 September 2017 £'000	31 March 2018 £'000
Trade receivables	4,229	2,521	3,050
Allowance for doubtful debts	(882)	(20)	(178)
Prepayments and accrued income	808	2167	2,633
Other receivables	87	67	111
	4,242	4,735	5,616

10. Trade and other payables

	30 September 2018 £'000	30 September 2017 £'000	31 March 2018 £'000
Trade payables	182	182	307
Taxation and social security	797	774	845
Other payables	456	328	307
Accruals and deferred income	1,311	937	1,220
	2,746	2,221	2,679

11. Treasury Shares

At 30 September 2018, the total number of ordinary shares held in Treasury and their values were as follows:

	30 September 2018		30 September 2017	
	Number	£'000	Number	£'000
As at 1 April	505,676	421	21,276	21
Shares purchased for treasury	20,000	16	27,900	24
Shares issued from treasury	(20,000)	(2)	-	-
Equity reclassification on disposal of treasury shares	-	4	-	-
As at 30 September	505,676	439	46,176	45
Nominal value		51		5
Market value		425		47

12. 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 total amount charged by the Company to its subsidiaries during the period is £384k (2017: £352k). The balance owed to the subsidiary undertakings at the period-end is £409k (2017: £689k).



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