

18 December 2019

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**Prime People plc  
("Prime People" or the "Company")**

**Proposed cancellation of part of the Share Premium Account,  
Proposed Return of Capital to Shareholders,  
and  
Notice of General Meeting**

Prime People (AIM: PRP) announces that the Company will today be posting a circular to shareholders (the "Circular") incorporating a notice of a general meeting, to seek the approval of Shareholders for the proposals to reduce the Company's capital by the cancellation of part of its Share Premium Account and to return an aggregate amount of £2 million to Shareholders, which equates to approximately 16 pence per Ordinary Share.

The Capital Reduction is conditional, *inter alia*, on the approval of Shareholders. A notice of General Meeting is set out at the end of the Circular, which convenes the General Meeting for 9:45 a.m. on 3 January 2020, at the Company's registered office at 2 Harewood Place, Hanover Square, London W1S 1BX.

The Board of Directors considers that the Resolution is in the best interests of the Company and its Shareholders as a whole and unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting.

Unless the context requires otherwise, defined terms used in this announcement shall have the meanings given to them in the Circular dated 18 December 2019.

A copy of the Circular will shortly be available on the Company's website at [www.prime-people.co.uk](http://www.prime-people.co.uk).

**EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

The dates and times set out below are based on the Company's current expectations and may be subject to change. Any change will be notified via a Regulatory Information Service. References to times in this announcement are to London times, unless otherwise stated.

Last time and date for receipt of Forms of Proxy	9:45 a.m. on 31 December 2019
General Meeting	9:45 a.m. on 3 January 2020
Record Date and time for entitlement to the Return of Capital	6:00 p.m. on the day of the Court order confirming the Capital Reduction, expected to be 21 January 2020

Court hearing to confirm the Capital Reduction	on or around 21 January 2020
Registration of Court order and Effective Date of the Capital Reduction	expected to be the business day after the Court order confirming the Capital Reduction
Crediting of CREST accounts or dispatch of cheques in respect of the Return of Capital	on or around 29 January 2020

**For further information, please visit [www.prime-people.co.uk](http://www.prime-people.co.uk) or contact:**

**Prime People plc**

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Robert Macdonald, Executive Chairman  
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Katy Birkin / Nicholas Wells / Harry Hargreaves

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

**Forward-looking statements**

Certain statements contained in this announcement are or may constitute “forward-looking statements”. These statements may be identified by words such as “expects”, “looks forward to”, “anticipates”, “targets”, “aims”, “may”, “would”, “could”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will”, “project” or words of similar meaning. They include all matters that are not historical facts. Such statements are based on the current expectations and certain assumptions of the Directors and are, therefore, subject to certain risks and uncertainties. Forward-looking statements are not guarantees of future performance and a number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. The forward-looking statements in this announcement speak only as of the date of this announcement. Except as required by law, the Company disclaims any obligation to update any such forward-looking statements to reflect future events or developments.

**Notice to overseas persons**

The distribution of this announcement outside the UK may be restricted by law. Persons outside the UK who come into possession of this announcement should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

**Proposed cancellation of part of the Share Premium Account,  
Proposed Return of Capital to Shareholders,  
and  
Notice of General Meeting**

**1. Introduction and Summary**

On 18 December 2019, the Board announced that the Group had built a strong cash position and that the Directors have therefore decided that the Company would return surplus cash to the Shareholders. Further to that announcement, I am pleased to set out below details of the proposals to reduce the Company's capital by the cancellation of part of its Share Premium Account and to return an aggregate amount of £2 million to Shareholders, which equates to approximately 16 pence per Ordinary Share (calculated by reference to the expected number of Ordinary Shares in issue at the Record Date (expected to be 21 January 2020) and assuming no exercise of any options). Shareholders will retain their proportionate equity interests in the Company following implementation of the Capital Reduction.

The Capital Reduction is conditional, *inter alia*, on the approval of Shareholders at the General Meeting. Shareholders will find set out at the end of the Circular a Notice of General Meeting which has been convened for 9:45 a.m. on 3 January 2020, at 2 Harewood Place, Hanover Square, London W1S 1BX.

**2. Background to the Capital Reduction**

As at 31 March 2019, the Group had net cash of approximately £2.3 million which had increased to approximately £3.0 million as of 30 September 2019. A large proportion of this net cash is considered by the Board to be surplus to the day-to-day needs of the business. The Group's cash position has strengthened over the course of the last year, during which period the Group has continued to focus on its core markets to deliver organic revenue growth, to improve productivity gains and to drive profit growth.

The Board therefore considers that the Group will have sufficient funds for the purposes of pursuing its current organic growth plans and has concluded that it is appropriate for the Company to return surplus cash to Shareholders by way of the Capital Reduction.

If approved by Shareholders at the General Meeting and subsequently confirmed by the Court in the terms proposed by the Board, the effect of the Capital Reduction will be to cancel part of the amount standing to the credit of the Share Premium Account (being approximately £5.4 million in total as at the date of this announcement) so that £2 million may be paid to Shareholders by way of the Return of Capital (representing approximately 16 pence per Ordinary Share calculated by reference to the expected number of Ordinary Shares in issue at the Record Date and assuming no exercise of any options). In the event that options are exercised, Shareholders' pro rata entitlements may be reduced accordingly.

The implementation of the Capital Reduction is subject to a number of criteria and legal processes which are explained further below.

**3. Procedure to effect the Capital Reduction**

Share premium forms part of the capital of the Company and arises on the issue by the Company of Ordinary Shares at a premium to their nominal value. The premium element is credited to the Share

Premium Account. Under the Companies Act, the Company is generally precluded from paying any dividends or making other distributions in the absence of sufficient distributable reserves, and the Share Premium Account, being a non-distributable reserve, can be applied by the Company only for limited purposes. However, provided the Company obtains the approval of Shareholders by way of a special resolution and subsequent confirmation by the Court, it may reduce all or part of its Share Premium Account and in certain circumstances either return all or part of the sum arising to Shareholders by way of a return of capital.

In order to effect the Capital Reduction, the Company first requires the authority of its Shareholders by the passing of a special resolution at the General Meeting. The Resolution is proposed in this regard to reduce the amount standing to the credit of the Share Premium Account and, thereafter, repay the sum arising on the reduction of the Share Premium Account to the registered holders of Ordinary Shares at 6:00 p.m. on the Record Date, in amounts *pro rata* to their holdings of Ordinary Shares at 6:00 p.m. on the Record Date. Secondly, the Capital Reduction must be confirmed by the Court, to which the Company will make an application if the Resolution is passed.

The Capital Reduction will take effect when the order of the Court confirming it and a statement of capital approved by the Court have been registered with the Registrar of Companies. The Effective Date of the Capital Reduction is currently expected to be the next working day following the hearing at which the Capital Reduction is to be confirmed by the Court, which is currently expected to be on or around 21 January 2020. If the Capital Reduction becomes effective on the basis that the Return of Capital is permitted by the Court, it is the Company's intention to pay this capital to Shareholders as soon as practicable thereafter. It is currently expected that cheques in respect of the Return of Capital will be dispatched on or around 29 January 2020 to Shareholders who hold their Ordinary Shares in certificated form and that CREST accounts of Shareholders who hold their Ordinary Shares through CREST will be credited on or around the same date.

In order to approve the Capital Reduction, the Court will need to be satisfied that the interests of the Company's creditors will not be prejudiced by the Capital Reduction. For the benefit of those of its creditors who do not consent, the Company may be obliged to provide security in a form acceptable to the Court. This is in order that the Capital Reduction can be confirmed by the Court on terms that will permit any part of the sum released by the Capital Reduction to be returned to Shareholders as a capital payment.

If the Company is unable in the timetable proposed to obtain consent from, or is unable or unwilling to provide security (where security is required) for all such creditors, then the amount released by the Capital Reduction, when the Capital Reduction is confirmed by the Court, will remain undistributable for the time being until any such outstanding consents have been obtained, security (where security is required) has been put in place, or the relevant obligations have been discharged, and the Company may be required to give an undertaking to that effect to the Court.

The Board reserves the right (where necessary by application to the Court) to abandon, discontinue or adjourn any application to the Court for confirmation of the Capital Reduction, and hence the Capital Reduction itself, if the Board believes that the terms required to obtain confirmation are unsatisfactory to the Company or if the Board considers that to continue with the Capital Reduction is inappropriate or not advisable and would not be in the best interests of the Company and its Shareholders.

The Capital Reduction does not affect the voting or dividend rights of any Shareholder, or the rights of any Shareholder on a return of capital.

#### **4. United Kingdom taxation**

*The following comments, which are intended as a general guide only and not a substitute for detailed tax advice, are based on current legislation and on what is understood to be current HM Revenue & Customs (“HMRC”) practice, both of which are subject to change possibly with retrospective effect. They summarise certain limited aspects of the UK taxation consequences of the proposed Return of Capital. These comments apply only to Shareholders who are resident (and, in the case of individuals, domiciled) in the UK for tax purposes. They relate only to such Shareholders who hold their Ordinary Shares directly as an investment (other than under individual savings accounts, “ISAs”) and who are absolute beneficial owners of those Ordinary Shares. These comments do not deal with certain types of Shareholders, such as collective investment schemes, insurance companies, trustees, persons who are resident in a jurisdiction other than the UK or persons who hold or who have acquired their Ordinary Shares (or options or rights in respect thereof) in the course of trade or by reason of their, or another’s, employment.*

##### ***UK taxation consequences of the Return of Capital to Shareholders***

The return of capital on an Ordinary Share should constitute a part-disposal of such share for the purposes of taxation of capital gains in consideration for the amount returned up to the amount originally subscribed for such share (including any premium). A charge to United Kingdom taxation on chargeable gains could therefore arise for a Shareholder depending on the Shareholder’s particular circumstances (including the availability of any exemptions, reliefs and allowable losses).

To the extent that the amount of capital returned on an Ordinary Share exceeds the amount originally subscribed for such share (including any premium), this will constitute an income distribution for tax purposes.

A UK resident corporate shareholder will not generally be liable to corporation tax in respect of the income distribution element.

Under the provisions of Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, HMRC can in certain circumstances counteract tax advantages arising in relation to a transaction or transactions in securities. If these provisions were to be applied by HMRC to the Return of Capital, in broad terms, Shareholders might be liable to taxation on income rather than chargeable gains on a greater part of the amount of capital returned than identified above. The Company has not applied for clearance from HMRC under section 748 of the Corporation Tax Act 2010 and section 701 of the Income Tax Act 2007 that HMRC are satisfied that the transactions in securities provisions should not be applied to the Return of Capital. However, the Company has been advised that a single transaction of this nature is considered in legal commentary on the relevant provisions not to fall within the scope of the transactions in securities rules on general principles. The Company has not sought clearance from HMRC as to whether HMRC agrees with this view.

##### ***UK stamp duty and stamp duty reserve tax (“SDRT”)***

No UK stamp duty or SDRT will arise on the return of capital to Shareholders.

**This section is not intended to be and should not be construed to be legal or taxation advice to any particular Shareholder. Any Shareholder who has any doubt about his own taxation position or who is subject to taxation in any jurisdiction other than the UK should consult his professional tax adviser without delay.**

## **5. General Meeting**

Shareholders will find a notice convening the General Meeting of the Company at the end of the Circular. The General Meeting will be held at 9:45 a.m. on 3 January 2020 at 2 Harewood Place, Hanover Square, London W1S 1BX to consider and, if thought appropriate, pass the Resolution which is summarised below.

### ***Resolution: Capital Reduction and Return of Capital***

The Resolution will be proposed as a special resolution of the Company. The Directors will be seeking approval of Shareholders, subject to the consent of the Court, to cancel £2 million standing to the credit of the Share Premium Account and then repay the sum arising on cancellation of this amount to Shareholders who are on the Company's register of members at 6:00 p.m. on the Record Date pro rata to their respective holdings of Ordinary Shares at 6:00 p.m. on the Record Date. Assuming that no options over Ordinary Shares are exercised between the date of this announcement and the Record Date, the amount to be returned equates to approximately 16 pence per Ordinary Share. In the event that options are exercised, Shareholders' pro rata entitlements may be reduced accordingly.

## **6. Recommendation**

The Board considers the Capital Reduction to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution, as all of the Directors intend to do in respect of their beneficial holdings amounting, in aggregate, to 7,151,596 Ordinary Shares representing approximately 58 per cent. of the existing issued share capital of the Company.