



Prime People Plc  
Annual Report and Accounts  
for the year ended 31 March 2013

2013

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## Chairman's Statement & Operating Review

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### Introduction

The Group's activity is the delivery of permanent and temporary recruitment services. Historically the Group's focus has been to provide these services to the built environment sector through its main subsidiary Macdonald & Company. More recently the Group has broadened its focus to include provision of recruitment services for customer insight staff in the market research and data analysis sector, branded as Prime Insight, to the energy & environmental sector as Macdonald & Company and the pharmaceutical research sector as Prime Pharma.

### Results

In 2013 gross revenue increased to £13.04m reflecting a small improvement in the level of temporary business (2012: £12.65m).

Net fee income, which is, after profit, the most important measure of performance for the Group, decreased by 5.4% to £7.6m (2012: £8.03m), a consequence of some increased pressure on permanent fee margins in the UK and a small reduction in net fee income from our Asia businesses.

The ratio of net fee income derived from permanent as against temporary placements is slightly reduced from 91:9 in 2012 to 90:10 in the year being reported.

The conversion rate of operating profit from net fee income decreased from 11.6% in 2012 to 10.3% in 2013.

Basic earnings per share decreased slightly to 4.70p (2012: 5.72p).

The Group maintained a strong net cash position with £2.3m as at 31 March 2013 (2012: £2.8m).

During the year the Group established an office in Singapore to further consolidate its presence in Asia. These results reflect costs associated with the opening of this new office.

Toward the end of the year the Group completed negotiations to surrender the lease of its London office, receiving a premium on the surrender. This has enabled a move to other prestigious Mayfair offices of the same size for equivalent occupancy costs. The results also reflect the financial effects of this transaction.

### Cash & Dividends

As was the case last year the Company is holding a substantial cash balance. The Board continues to assess the most appropriate use of surplus cash generated by the Company. Historically this has focused on developing new business lines organically and more recently on a program of share buybacks. Possible acquisitions have been investigated every year but as yet, none have met the Company's stringent criteria, which include ensuring that scale of transaction should not have the potential to destabilise our continuing businesses and risks associated with acquisition should be minimal. The Board considers that the cash needed to complete the Group's current growth plans is more than adequate. Accordingly, subject to trading conditions, the Company expects to continue to return cash to shareholders via its annual dividends and by other means when and if appropriate.

The Board will be recommending a final dividend of 3.09p (2012: 2.25p) per share which combined with the interim dividend of 1.0p per share, will result in a total dividend of 4.09p (2012: 4.09p).

### Share Buy Back

During the year 55,000 shares at a cost of £26,850 (2012: 248,234 shares at a cost of £167,809) were purchased through the Group's buyback programme and the Board will be seeking shareholder approval for the renewal of the authority to repurchase up to 10% of the Group's issued share capital at the Annual General Meeting on 25 June 2013.

**Chairman's Statement & Operating Review** (continued)

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**Strategy & Outlook**

Since this time last year we have continued to advance our overseas strategy by seeking to extend our reach in Asia by organic growth. As referred to above, our Singapore office is now established and commenced business in April 2012. It is staffed by the Group's Managing Director together with, currently, four experienced fee earners, serving our property, insights and energy practices across South East Asia. Good progress has been made in the region with early indications of a pipeline of Real Estate work developing from Indonesia and Malaysia.

Our Middle East and Africa businesses show early signs of improved activity as we enter the new financial year and there is some evidence of a degree of confidence returning to our core Real Estate market.

Despite a small reduction in UK net fee income in 2013 we are cautiously positive about signs of an upturn in business as we are well positioned to take advantage of any improvement in demand for our services. We have reorganised a number of our teams in preparation for this upturn which we have started to see through improved performance in our temporary markets which in turn we expect to have a favourable impact on our permanent business in 2014.

The economic uncertainties that recruitment businesses experience serve as a reminder that businesses need to retain a flexible approach. It is our intention to continue to invest appropriately in our established revenue lines and offices and when the opportunity arises to broaden the recruitment services that the Group offers within all its regions.

The Group continues to enjoy strong client relationships and a committed staff ready to exploit regional opportunities and the upturn as it occurs.

**Our people**

Finally, I should like to thank our staff for their hard work and commitment over the last twelve months.

Robert Macdonald  
**Executive Chairman**  
**28 May 2013**

## Financial Review

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### Fee Income

Gross fee income for the year from continuing operations increased by 3.1% to £13.0m (2012: £12.65m).

Net fee income decreased by 5.4% to £7.6m (2012: £8.03m).

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

### Profit Before Taxation

Profit before taxation decreased by 18.3% to £0.78m (2012: £0.95m)

### Administration Costs

The Group recorded a 1.3% decline in administration costs (after adjusting for a gain on surrender of its property lease of £0.17m) to £7.0m (2012: £7.1m) primarily arising from the fall in headcount which on average for 2013 was 12% lower at 95 (2012: 108).

### Taxation

The taxation charge is £0.22m on a profit on ordinary activities before taxation of £0.78m which gives an overall tax rate of 28.5% (2012: 28.3%). The reasons for the difference from the standard UK corporation tax rate of 24% are detailed in note 7 of the accounts.

### Earnings Per Share

Basic earnings per share decreased by 17.8% to 4.70p (2012: 5.72p). The diluted earnings per share decreased by 16.3% to 4.67p (2012: 5.58p).

### Dividend

As outlined in the Chairman's statement & operating review, the Directors propose a final

dividend of 3.09 pence which will, subject to shareholder approval at the Annual General Meeting, be paid on 28 June 2013 to shareholders who are on the register on 14 June 2013, making a total dividend paid to shareholders for the year of 4.09 pence per ordinary share.

### Balance Sheet

The Group's net assets position at 31 March 2013 is slightly up on last year at £14.08m (2012: £13.89m)

Trade receivables are slightly up on last year at £1.9m (2012: £1.46m) with an increase in the credit period taken by customers at 58 days (2012: 47 days).

### Cash Flow and Cash Position

Net cash inflow of £0.19m (2012: inflow of £0.78m) was generated from operating activities during the year, which after net taxation payments of £0.19m (2012: net payment of £0.34m), resulted in a net cash outflow from operating activities of £0.01m (2012: inflow of £0.44m).

The Group operates a centralised treasury function with a net cash position at 31 March 2013 of £2.26m, compared to a net cash position of £2.83m at 31 March 2012.

Chris Heyberd  
**Finance Director**  
**28 May 2013**

## **Board of Directors**

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### **Directors' Biographies**

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

Robert has held senior positions within the recruitment industry since 1973 when he founded Reuter Simkin Limited, a recruitment business in both the legal and property sectors. Reuter Simkin had both Kleinwort Benson Development Capital and Charterhouse Development Capital as investors. After the sale of Reuter Simkin in 1989, he acquired shares in and was Chairman of two other recruitment companies one of 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 consultancy in London. Led by Robert and Peter Moore, Macdonald & Company Group Ltd completed the reverse takeover of Prime People Plc in January 2006.

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

Peter graduated from the Royal Agricultural College, Cirencester and then worked with Strutt & Parker from 1992 to 1995, qualifying as a Chartered Surveyor in 1994. He joined Macdonald & Company in 1995 and was appointed Managing Director in 1996. Under Peter's management Macdonald & Company became the largest and most respected real estate focused recruitment provider in the market and the RICS's preferred recruitment partner. Led by Robert Macdonald and Peter Moore, Macdonald & Company Group Ltd completed the reverse takeover of Prime People Plc in January 2006. Since when Peter has been instrumental in developing Prime People into a global specialist recruitment business spanning real estate, energy & environmental, insight & analytics and pharmaceuticals.

#### **Chris Heyberd BA ACA - Finance Director**

Chris 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. Chris 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) - Non-executive Director**

John is a solicitor (Non Practising) and a consultant to Eversheds LLP (solicitors). Previously he served as a partner in Lewis Lewis & Co which became part of Eversheds after a series of mergers. John is currently Chairman of Photo-Me International 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 - Non-executive Director**

Simon qualified as a Chartered Accountant with Coopers & Lybrand. He is Chief Financial Officer of Battersea Power Station Development Company. He was previously 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.

## **Report of the Directors for the Year Ended 31 March 2013**

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The Directors present their annual report on the affairs of the Group, together with the audited financial statements for the year ended 31 March 2013. Prime People is a public limited Company, incorporated and domiciled in England, and its shares are quoted on the AIM market.

### **Principal Activity**

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

### **Business Review**

The Company is required by the Companies Act to include a business review in their report of the development and performance of the Group's business for the financial year and of its position at the year end as well as expected future developments. This information is contained within the Chairman's Statement and Operating Review on page 1 and 2 and the Financial Review on page 3.

### **Principal Risks and Uncertainties**

The Board reviews on a regular basis the principal risks and uncertainties facing the Group. The Board's approach is to ascertain the key risks and develop plans to reduce the potential effects of these risks on the business. The principal risks identified are as follows:

#### *Dependence on Key People*

The future success of the Group is dependant on the continued service of senior management and key people. The loss of the services of the senior management and other key people could have a material effect on the business. To address this, the Group has put in to place an internal recruitment function, a training and development programme, competitive pay structures and long term remuneration plans, the aim of which is to retain the key employees.

#### *Competition*

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

#### *Strength of Property Markets*

The market for property recruitment services, from which the Group obtains the major part of its revenue, remains uncertain and it is difficult to predict how this market will develop in the foreseeable future. Our temporary business continues to be focused in the Public Sector which in recent years, due to government funding cut backs has been in decline, but there are positive signs of recovery in this area of our business. However a decline from current levels of activity in the property market generally could have a material adverse effect on profitability and cash flows of the business.

#### *Macro economic factors*

Recruitment activity is largely driven by economic cycles and the levels of business confidence. The Board looks to reduce the Group's cyclical risk by expanding geographically in its chosen markets and so therefore outcomes could be influenced by the GDP growth of economies in which we operate.

#### *Regulatory position*

The recruitment industry is subject to an increasing level of regulation and compliance which varies in its degree of complexity from country to country. The Group takes its responsibilities seriously and remains committed to being compliant in each of the regions in which it operates. In order to reduce the legal and compliance risks, fee earners and support staff receive regular training and updates of changes in legal and compliance requirements.

## **Report of the Directors for the Year Ended 31 March 2013**

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### **Principal Risks and Uncertainties (continued)**

#### *Information Technology*

To provide services to clients and candidates the Group is highly dependent on certain technology systems and the infrastructure on which they operate. These systems are dependent on specific suppliers who provide the technology infrastructure and disaster recovery solutions. The performance of these suppliers is continually monitored to ensure that the services are available and maintained. In addition the systems and infrastructure are regularly reviewed and upgraded to ensure that they provide appropriate functionality and resilience to support the business as it develops.

#### *Foreign Exchange Risk*

The Group's international operations account for approximately 35 per cent of net fee income and less than 11 per cent of the Group's assets. Consequently the Group has a degree of translation exposure in accounting for overseas operations and expects this to increase in line with the growth of the Group's operations outside the United Kingdom. Currently the Group's policy is not to hedge against this exposure. However, the Group seeks to minimise this exposure by converting into sterling all cash balances received in foreign currency that are not required for local short term working capital needs. The Group will continue to monitor its policies in this area.

#### *Treasury Policies, Liquidity and Financial Risk*

Surplus funds are held 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 whilst providing the flexibility required to fund on-going operations and to invest cash safely and profitably. It is not a Group policy to invest in financial derivatives.

Although the financial risks to which the Group is exposed are currently considered to be minimal, future interest rate, liquidity and foreign currency risks could arise. The Board will continually review its existing policies and make changes as required to limit the financial risks of the business.

#### *Credit Risk Management*

Credit risk refers to the 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 with appropriate provisions being made.

### **Corporate Governance**

The Company and the Group are committed to high standards of corporate governance, details of which are provided in the Corporate Governance Report on pages 12 to 15 and Remuneration Report on pages 16 to 18.

### **Results**

The consolidated profit on ordinary activities after taxation amounted to £560k (2012: £680k).

### **Dividends**

An interim dividend for 2013 of 1.00 pence per ordinary share was paid on 29 November 2012 to those shareholders on the register at 23 November 2012 (2012: 1.84pence). The Directors recommend the payment of a final dividend for 2013 of 3.09 pence per ordinary share which, if approved at the Annual General Meeting, will be paid on 28 June 2013 to those shareholders on the register on 14 June 2013 (2012: 2.25 pence).



**Report of the Directors for the Year Ended 31 March 2013**

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**Directors and Interests**

The following were Directors during the year and held office throughout the year:

Robert Macdonald	(Executive Chairman)
Peter Moore	(Managing Director)
Chris Heayberd	(Finance Director)
John Lewis	(Non-executive Director)
Simon Murphy	(Non-executive Director)

Biographical details for all the current Directors are shown on page 4.

**Substantial Shareholders**

As at 01 May 2013, the Company had been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules of the following substantial shareholdings:

	<b>Number of 10p ordinary shares</b>	<b>Percent of issued share capital %</b>
Peter Moore	2,897,500	24.36
Robert Macdonald	2,480,000	20.85
John Lewis	1,180,500	9.78
Peter Hearn	719,500	6.04
The Cayzer Trust Company Limited	439,500	3.69

The mid market quotation of the Company's shares at close of business on 31 March 2013 was 50.5p. The highest and lowest mid market quotations in the period from 1 April 2012 to 31 March 2013 were 75.0p and 46.0p.

**Our Employees**

The involvement of our employees in the business is key to our success. We endeavour to source and retain the highest calibre employees from a wide range of backgrounds. The business is organised into a number of business teams based on sector with each team leader empowered to run their operations within the operating framework of the Group. The policy of providing employees with information about the Group has been continued and employees are always encouraged to present their own suggestions and views.

The Group is committed to the principles of hiring based purely on individual merit and is committed to equal opportunities.

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

## **Report of the Directors for the Year Ended 31 March 2013**

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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 35 days average purchases (2012: 35 days). The Company makes no trade purchases.

### **Environmental Policy**

The Group recognises its responsibilities for the environment and gives due consideration to the possible effects of its activities on the environment. As such our main environmental impact comes from the running of our businesses generating carbon emissions through the consumption of gas and electricity, transport activities and commuting, as well as office based waste such as paper and toners. We do not consider that the Group's activities have a major 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. We are, therefore, committed to the following principles to ensure the business operates in an environmentally sensitive manner:

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

### **Charitable and Political Donations**

During the year, the Group supported the charity ELIFAR with a number of employees donating their time to support initiatives. This year we also allowed employees the opportunity to be involved in activities with a charity, community or environmental cause and allowed them to take two working days out of the office in order "to give something back". In addition the Group made charitable donations of £3,976 (2012: £7,755).

The Group made no political donations during the year (2012: £Nil).

### **Going Concern**

At 31 March 2013 the Group had a net cash position of £2.26m (2012: £2.83m). The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements. After reviewing these forecasts and having made the appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. The Group continue to adopt the going concern basis in preparing the financial statements.

### **Directors' and Officers' Liability Insurance**

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

### **Capital Structure**

Details of the authorised and issued share capital are shown in note 17. The Company has one class of ordinary shares which carry no right to fixed income and which represents 100% of the total issued nominal value of all share capital. Each share carries the right to one vote at general meetings of the Company.

Details of employee share schemes are set out in note 17.

## **Report of the Directors for the Year Ended 31 March 2013**

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### **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 Tuesday 25 June 2013. The Special Business is detailed below.

#### **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 8 to grant authority to allot shares up to a maximum aggregate nominal amount of £402,200. This amounts to 4,022,000 shares or approximately 33.33 per cent of the total share capital in issue as at 31 May 2013.

Except for the issue of shares held under an existing Enterprise Management Incentive Scheme, details of which are set out in note 17 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 the board is granted the authority to issue new shares by shareholders, authority will be sought in resolution 9 to allot shares for cash up to a maximum aggregate nominal amount of £60,350 representing 603,500 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 25 September 2014 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 1,206,650 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 or held in treasury.

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 £250,000 the Company plans, from time to time, to purchase its shares in the market and to cancel them or held in treasury.

If the Board exercises the authority conferred by Resolution 10 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 764,930 ordinary shares. This represents 6.45 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).

**Report of the Directors for the Year Ended 31 March 2013**

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**Statement as to Disclosure of Information to Auditor**

Each of the persons who are Directors at the time when this report is approved has confirmed that:

- (a) so far as each Director is aware, there is no relevant audit information of which the Company's Auditor are unaware; and
- (b) each Director has taken all steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's Auditor in connection with preparing their report and to establish that the Company's Auditor are aware of that information.

**Auditor**

Crowe Clark Whitehill LLP have expressed their willingness to continue in office and a resolution to re-appoint them as Auditor and authorising the Directors to set their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

**Chris Heayberd**  
Finance Director  
28 May 2013

## **Statement of Directors' Responsibilities**

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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's transactions and disclose with reasonable accuracy at any time the financial position of the Company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware there is no relevant audit information of which the Company's Auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.
- the Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Corporate Governance

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### Statement by the Directors on Compliance with the Combined Code

#### Corporate Governance

The Board of the Company is committed to achieving high standards of corporate governance, integrity and ethics. The Directors recognise the value and importance of sound corporate governance and support the principles of the UK Corporate Governance Code published in 2010. Although as an AIM listed Company it is not formally required to do so, Prime People has sought to comply with the Code so far as is practical and appropriate for a public Group of its size and nature. The Group also seeks to comply with the recommendations of the QCA on corporate governance.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 11.

The Board has established two committees being the Audit Committee and the Remuneration Committee each of which operates with defined terms of reference.

Membership of these committees as at the date of this report, the number of meetings held in 2013 and the attendance record are summarised in the table below:

Directors	Board	Audit Committee	Remuneration Committee
Robert Macdonald	Y (Chair)	N	N
Peter Moore	Y	N	N
Chris Heayberd	Y	N	N
John Lewis	Y	Y	Y (Chair)
Simon Murphy	Y	Y (Chair)	N
Number of meetings 2013	4	2	2
Overall attendance record for 2013 meetings	100%	100%	100%

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 and its Operation

The Board of Prime People Plc is the body responsible for corporate governance, establishing policies and objectives, and reviewing the management of the Group's resources.

The Board consists of an executive Chairman, Robert Macdonald, two other executive Directors and two non-executive Directors.

The non-executive Directors are John Lewis and Simon Murphy. Both receive a fixed fee for their services and their interests in the shares of the Company are as described on pages 7 and 16 to 17.

Biographies of the board members appear on page 4.

The Board meets up to 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,

## **Corporate Governance**

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### **The Board and its Operation** (continued)

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 monthly 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.

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 on the Prime People website, 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 Simon 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 Auditor. By invitation, the meetings are also attended by the Finance Director.

The Audit Committee's principal tasks are to ensure the integrity of the Company's Financial Reporting process, review the effectiveness of the Group's internal controls including risk management, review the scope of the work of the external Auditor and their independence, consider issues raised by the external Auditor, review audit effectiveness and review the half-yearly and annual accounts focusing in particular on accounting policies and compliance and on areas of management judgement and estimates.

## **Corporate Governance**

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### **Remuneration Committee**

The members of the Remuneration Committee comprises the two non-executive Directors of the Company and is chaired by John Lewis.

The committee reviews the Group policy on the Executive Directors' remuneration and terms of employment, makes recommendations on this and also approves the provision of policies for the incentivisation of senior employees, including share schemes.

The principal terms of reference of the committee are set out in the Remuneration Report on pages 16 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.

### **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.

When undertaking their review the Directors have considered all material controls including operational, compliance and risk management, as well as financial.

The Board has assessed the effectiveness of the Group's internal control systems for the period 1 April 2013 to the date of approval of the financial statements and believes it has the procedures in place to safeguard the Group's assets and to ensure the reliability of information used within the business and for publication.

Key elements of the system of internal control are as follows:

#### *Group Organisation*

The Board of Directors meets at least six times a year focusing mainly on strategic issues, operational and financial performance. The Directors have in place an organisational structure with clearly defined levels of responsibility and delegation of authority.

#### *Annual Business Plan*

The Group has a comprehensive budgeting system with an annual budget approved by the Board.

#### *Monthly Forecasting*

The Group prepares monthly fee income forecasts by individual businesses which are compared to budget.

#### *Financial Reporting*

Detailed monthly reports are produced showing comparison of results against budget, forecast and the prior year with performance monitoring and explanations provided for significant variances. Any significant adverse variances are examined and remedial action taken where necessary.

#### *Capital Expenditure*

Capital expenditure requests are reviewed by the Board. Appropriate due diligence work will be carried out if a business is to be acquired.

#### *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.



## **Corporate Governance**

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### **Whistleblowing Policy**

The Company is committed to maintaining the highest ethical standards and the personal and professional integrity of its employees, suppliers, contractors and consultants. It encourages all individuals to raise any concerns that they may have about the conduct of others in the business or the way in which the business is run. The aim of the policy is to ensure that as far as is possible, our employees are able to tell us about any wrong doing at work which they believe has occurred or is likely to occur.

## **Remuneration Report**

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The Remuneration Committee meets not less than twice a year and comprises John Lewis and Simon Murphy. The Committee is chaired by John Lewis.

The purpose of the Remuneration Committee is to review, on behalf of the Board, the remuneration policy for the Chairman, Executive Directors and other Senior Executives and to determine the level of remuneration, incentives and other benefits, compensation payments and terms of employment of the Executive Directors and other Senior Executives. It seeks to provide a remuneration package that strongly aligns the interests of Executive Directors with those of shareholders.

### **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.

The Executive Chairman and Managing Director have service contracts which contain a notice period of one year which are terminable by either party giving one years notice. The service contracts also contain restrictive covenants preventing the Executive Directors from competing with the Group for one year following the termination of employment and preventing both Directors from soliciting key employees, clients and candidates of the employing Group and Group companies for 12 months following termination of employment. There are no provisions for liquidated damages on the early termination of any of the Directors' service contracts nor provisions for mitigating damages.

The Finance Director has a service contract which contains a notice period of 3 months which is terminable by either party giving 3 months notice. The service contract also contains restrictive covenants preventing him from competing with the Group for 3 months following the termination of employment and preventing him from soliciting key employees, clients and candidates of the employing Group and Group companies for 3 months following termination of employment. There are no provisions for liquidated damages on the early termination of any of the Directors' service contracts nor provisions for mitigating damages.

Both Non-Executive Directors have letters of appointment which entitle either party to give three months notice. The remuneration of the Non-Executive Directors is determined by the Board. The Non-Executive Directors do not receive any pension or other benefits, other than out of pocket expenses, from the Group, nor do they participate in any bonus schemes.

The remuneration agreed by the Committee for the Executive Directors contains some or all of the following elements: a base salary and benefits, an annual bonus reflecting Group and individual performance and share options.

### **Base Salary and Benefits**

The Committee establishes salaries and benefits by reference to those prevailing in the employment market generally for Executive Directors of companies of comparable status and market value. Reviews of such base salary and benefits are conducted annually by the committee.

## Remuneration Report

### Emoluments of Directors

The aggregate emoluments of Directors who served during the period is shown in the table below. Emoluments include management salaries, fees as Directors and benefits. Emoluments shown are in respect of each Director's period in office during the year as a Board member of Prime People Plc and includes emoluments from the Company and its subsidiary undertakings.

	Salaries and fees	Benefits	Year ended	
			31 March 2013 Total	31 March 2012 Total
	£	£	£	£
<b>Executive Chairman</b>				
R J G Macdonald	107,960	5,958	113,918	109,884
<b>Executive Directors</b>				
P H Moore (Notes 1 & 2)	176,682	75,962	252,644	176,990
C I Heayberd	106,337	3,206	109,543	121,128
<b>Non-Executive Directors</b>				
J H J Lewis	18,342	-	18,342	12,731
S J Murphy	18,342	-	18,342	17,731
	427,663	85,126	512,790	438,464

Notes to the emoluments:

- 1 - Peter Moore is the highest paid Director,
- 2 - Peter Moore relocated to Singapore in August 2012 and is provided with family accommodation,
- 3 - Benefits include accommodation, medical and travel allowance,
- 4 - The Group does not operate a defined benefit pension scheme.

### Share option schemes

During 2013 no share options were granted to Executive Directors. As at 31 March 2013 Director's options on ordinary shares of 10p each granted under the Prime People Enterprise Management Incentive Scheme, were as follows:

Director	Year of issue	Granted	Exercise Price	Earliest exercise date
Simon Murphy	2005/6	184,234	57.5p	15 May 2007

## **Remuneration Report**

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### **Performance Criteria**

The performance criteria on Directors share options granted in 2005/6 were achieved when the Company acquired Macdonald & Company Group Limited in January 2006.

### **Annual Resolution**

Shareholders will be given the opportunity to approve the Remuneration report at the Annual General Meeting.

### **John Lewis**

Chairman of the Remuneration Committee

28 May 2013

## **Independent Auditor's 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 2013 which comprise Group and Parent Company Statements of Financial Position, the Group Statements of Comprehensive Income, the Group and Company Cash Flow Statements, the Group and Parent Company Statement of Changes in 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 and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 Auditor**

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 and express an opinion on 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 Auditor's.

#### **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.

In addition, we read all the financial and non-financial information in the Directors' Report, Chairman's statement & operating review, Financial review, Corporate governance and Remuneration report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

#### **Opinion on Financial Statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Independent Auditor's Report** (continued)

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**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.

**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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

Matthew Stallabrass  
Senior Statutory Auditor  
For and on behalf of  
**Crowe Clark Whitehill LLP**  
Statutory Auditor  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

28 May 2013

## Consolidated Statement of Comprehensive Income

### For the year ended 31 March 2013

	Note	Year ended	
		31 March 2013 £'000	31 March 2012 £'000
<b>Revenue</b>	2, 3	<b>13,038</b>	12,652
Cost of sales		<b>(5,443)</b>	(4,626)
<b>Net fee income</b>	2, 3	<b>7,595</b>	8,026
Administrative expenses		<b>(6,832)</b>	(7,096)
<b>Operating profit</b>	4	<b>763</b>	930
Finance income		<b>20</b>	21
Finance expense		<b>-</b>	(3)
<b>Profit before taxation</b>		<b>783</b>	948
Income tax expense	7	<b>(223)</b>	(268)
<b>Profit for the year</b>		<b>560</b>	680
<b>Other comprehensive loss</b>			
Foreign currency exchange differences		<b>19</b>	(9)
<b>Total comprehensive income for the year</b>		<b>579</b>	671
<b>Attributable to:</b>			
Equity shareholders of the parent		<b>579</b>	671
<b>Earnings per share</b>	9		
Basic earnings per share		<b>4.70p</b>	5.72p
Diluted earnings per share		<b>4.67p</b>	5.58p

The above results relate to continuing operations

## Consolidated Statement of Changes in Equity

### For the year ended 31 March 2013

	Called up share capital £'000	Capital Redemp- tion reserve £'000	Treasury shares £'000	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Foreign currency trans- lation £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2011</b>	<b>1,194</b>	<b>9</b>	<b>(39)</b>	<b>7,095</b>	<b>173</b>	<b>108</b>	<b>413</b>	<b>4,840</b>	<b>13,793</b>
Total comprehensive income for the year	-	-	-	-	-	-	(9)	680	671
Issue of ordinary shares	13	-	-	14	-	-	-	-	27
Adjustment in respect of share schemes	-	-	-	-	-	(27)	-	47	20
Shares purchased for treasury	-	-	(130)	-	-	-	-	-	(130)
Dividend	-	-	-	-	-	-	-	(487)	(487)
<b>At 31 March 2012</b>	<b>1,207</b>	<b>9</b>	<b>(169)</b>	<b>7,109</b>	<b>173</b>	<b>81</b>	<b>404</b>	<b>5,080</b>	<b>13,894</b>
Total comprehensive income for the year	-	-	-	-	-	-	19	560	579
Adjustment in respect of share schemes	-	-	-	-	-	16	-	3	19
Shares purchased for treasury	-	-	(22)	-	-	-	-	-	(22)
Dividend	-	-	-	-	-	-	-	(387)	(387)
<b>At 31 March 2013</b>	<b>1,207</b>	<b>9</b>	<b>(191)</b>	<b>7,109</b>	<b>173</b>	<b>97</b>	<b>423</b>	<b>5,256</b>	<b>14,083</b>



## Consolidated Statement of Financial Position

As at 31 March 2013

	Note	2013 £'000	2012 £'000
<b>Assets</b>			
<b>Non – current assets</b>			
Goodwill	11	9,769	9,769
Property, plant and equipment	10	264	195
Deferred tax asset	13	28	2
		<b>10,061</b>	9,966
<b>Current assets</b>			
Trade and other receivables	14	3,452	2,920
Cash at bank and in hand	21	2,282	2,831
		<b>5,734</b>	5,751
<b>Total assets</b>		<b>15,795</b>	15,717
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities	15	26	7
Trade and other payables	16	1,526	1,711
Current tax liabilities		160	105
		<b>1,712</b>	1,823
<b>Total liabilities</b>		<b>1,712</b>	1,823
<b>Net assets</b>		<b>14,083</b>	13,894

## Consolidated Statement of Financial Position

As at 31 March 2013

	Note	2013 £'000	2012 £'000
<b>Capital and reserves attributable to the Company's equity holders</b>			
Called up share capital	17	1,207	1,207
Capital redemption reserve fund	18	9	9
Treasury shares	18	(191)	(169)
Share premium account	18	7,109	7,109
Merger reserve	18	173	173
Share option reserve	18	97	81
Currency translation reserve	18	423	404
Retained earnings	18	5,256	5,080
<b>Total equity</b>		<b>14,083</b>	<b>13,894</b>

The financial statements on pages 21 to 54 were approved by the Board of Directors and authorised for issue on 28 May 2013 and are signed on its behalf by:

R J G Macdonald

C I Heayberd

**Company Statement of Financial Position**

As at 31 March 2013

	Note	2013 £'000	2012 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	12	10,876	10,876
Property, plant and equipment	10	-	-
Deferred tax asset	13	1	1
		<b>10,877</b>	<b>10,877</b>
<b>Current assets</b>			
Trade and other receivables	14	596	352
Cash and cash equivalents	21	1,949	2,076
		<b>2,545</b>	<b>2,428</b>
<b>Total assets</b>		<b>13,422</b>	<b>13,305</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities – borrowings		26	7
Other payables	16	55	58
		<b>81</b>	<b>65</b>
<b>Total liabilities</b>		<b>81</b>	<b>65</b>
<b>Net assets</b>		<b>13,341</b>	<b>13,240</b>
<b>Capital and reserves attributable to the Company's equity holders</b>			
Called up share capital	17	1,207	1,207
Capital redemption reserve fund	18	9	9
Treasury shares	18	(191)	(169)
Share premium account	18	7,109	7,109
Merger reserve	18	173	173
Share option reserve	18	32	32
Retained earnings	18	5,002	4,879
<b>Total equity</b>		<b>13,341</b>	<b>13,240</b>

The financial statements of Prime People Plc, Company Number 1729887 were approved by the Board and authorised for issue on 28 May 2013 and are signed on its behalf by:

R J G Macdonald

C I Heayberd

## Company Statement of Changes in Equity

For the year ended 31 March 2013

Company	Called up share capital £'000	Capital Redemption reserve £'000	Treasury shares £'000	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2011</b>	<b>1,194</b>	<b>9</b>	<b>(39)</b>	<b>7,095</b>	<b>173</b>	<b>47</b>	<b>4,812</b>	<b>13,291</b>
Total comprehensive income for the year	-	-	-	-	-	(15)	537	522
Issue of ordinary shares	13	-	-	14	-	-	-	27
Shares purchased for treasury	-	-	(130)	-	-	-	-	(130)
Adjustment in respect of share scheme	-	-	-	-	-	-	17	17
Dividend	-	-	-	-	-	-	(487)	(487)
<b>At 31 March 2012</b>	<b>1,207</b>	<b>9</b>	<b>(169)</b>	<b>7,109</b>	<b>173</b>	<b>32</b>	<b>4,879</b>	<b>13,240</b>
Total comprehensive income for the year	-	-	-	-	-	-	510	510
Shares purchased for treasury	-	-	(22)	-	-	-	-	(22)
Dividend	-	-	-	-	-	-	(387)	(387)
<b>At 31 March 2013</b>	<b>1,207</b>	<b>9</b>	<b>(191)</b>	<b>7,109</b>	<b>173</b>	<b>32</b>	<b>5,002</b>	<b>13,341</b>

**Group and Company Cash Flow Statement**

For the year ended 31 March 2013

	Note	Group Year ended		Company Year ended	
		31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
<b>Cash generated from underlying operations</b>	<b>20</b>	<b>186</b>	<b>775</b>	<b>(223)</b>	<b>(203)</b>
Income tax paid		(195)	(340)	(6)	(51)
Income tax received		-	3	-	-
<b>Net cash (used by)/from operating activities</b>		<b>(9)</b>	<b>438</b>	<b>(229)</b>	<b>(254)</b>
<b>Cash flows from investing activities</b>					
Interest received		20	21	19	21
Net purchase of property, plant and equipment		(189)	(60)	-	-
Dividend received		-	-	473	500
<b>Net cash (used in)/from investing activities</b>		<b>(169)</b>	<b>(39)</b>	<b>492</b>	<b>521</b>
<b>Cash flows from financing activities</b>					
Capital element of hire purchase obligations		-	(25)	-	-
Issue of ordinary share capital		-	27	-	27
Treasury shares		(22)	(130)	(22)	(130)
Dividend paid to shareholders		(387)	(487)	(387)	(487)
Interest paid		-	(3)	-	-
<b>Net cash used in financing activities</b>		<b>(409)</b>	<b>(618)</b>	<b>(409)</b>	<b>(590)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(587)</b>	<b>(219)</b>	<b>(146)</b>	<b>(323)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>2,824</b>	<b>3,052</b>	<b>2,069</b>	<b>2,392</b>
Exchange gain/(loss) on cash and cash equivalents		19	(9)	-	-
<b>Cash and cash equivalents at the end of the year</b>		<b>2,256</b>	<b>2,824</b>	<b>1,923</b>	<b>2,069</b>

## **Notes to the Financial Statements**

### **For the year ended 31 March 2013**

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#### **1 Nature of Operations**

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.

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 and the principal place of business is 2 Harewood Place, London W1S 1BX. The registered number of the Company is 1729887.

#### **2 Summary of Significant Accounting Policies**

##### **Basis of Preparation**

The financial statements of Prime People Plc consolidate the results of the Company and all its subsidiary undertakings. As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company has not been included as part of these financial statements. The amount of profit after tax and before dividends dealt with in the financial statements of the parent is £509,038 (2012: profit £537,458). The financial statements have been prepared on a going concern basis.

The consolidated financial statements of Prime People Plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and also comply with 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 2012 except as described below.

##### **International Accounting Standards (IAS/IFRS) and Interpretations in Issue but not yet adopted**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective. These have not been adopted early by the Group and the initial assessment indicate that they will not be relevant or will have a material impact to the Group:

- IAS 1 Presentations of items of Other Comprehensive Income (effective 1 July 2012)
- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial statements (effective 1 January 2013\*\*)
- IFRS 11 Joint Arrangements (effective 1 January 2013\*\*)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013\*\*)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2012) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013\*\*)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013\*\*)
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- Government Loans – Amendments to IFRS 1 (effective 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)

## **Notes to the Financial Statements**

### **For the year ended 31 March 2013**

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#### **2 Summary of Significant Accounting Policies (continued)**

##### **International Accounting Standards (IAS/IFRS) and Interpretations in Issue but not yet adopted (continued)**

- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)
- Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2013)
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)

\*\*Note: EU mandatory effective date is 1 January 2014, not 2013. Also Deferred Tax: Recovery of Underlying assets – Amendments to IAS 12 Income Taxes (IASB effective date 1 January 2012) has a mandatory EU effective date of periods commencing on or after 1 January 2013.

##### **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. 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.

Business combinations are accounted for using the acquisition method of accounting. 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. 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 in preparing the consolidated financial statements. Unrealised losses are also eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### **Going Concern**

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements and have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

## **Notes to the Financial Statements**

### **For the year ended 31 March 2013**

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## **2 Summary of Significant Accounting Policies (continued)**

### **Revenue recognition**

#### **(a) Gross Fee Income**

Revenue, which excludes value added tax (“VAT”), constitutes the value of services undertaken by the Group from 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) Cost of Sales**

Cost of sales 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.

#### **(d) Foreign Currency Translation**

##### **(i) 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 pounds.

##### **(ii) 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.



## Notes to the Financial Statements

### For the year ended 31 March 2013

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## 2 Summary of Significant Accounting Policies (continued)

### (d) Foreign Currency Translation (continued)

#### (iii) 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.

### (e) Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation less provisions for impairment. Depreciation is provided on all property, plant and equipment using the straight-line method at rates calculated to write off the cost less estimated residual values over their estimated useful lives, as follows:

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

The gain or loss arising on disposal or retirement of an asset is determined by comparing the sales proceeds with the carrying amount of the asset and is recognised as income.

### (f) Intangible Assets

#### (i) 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. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

#### (ii) Computer Software

Computer software acquired by the Group is stated at cost. These costs are amortised using the straight-line method over their estimated useful economic lives (33% per annum).

## **Notes to the Financial Statements**

### **For the year ended 31 March 2013**

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## **2 Summary of Significant Accounting Policies (continued)**

### **(g) Impairment of Assets**

Assets that have an indefinite useful economic life 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).

### **(h) Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

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.

### **(i) Leased Assets and Obligations**

Where assets are financed by leasing arrangements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the lower of fair value or the present value of the minimum lease payments payable during the lease term. The corresponding lease commitments are shown as obligations to the lessor. The property, plant or equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Lease payments are apportioned between finance charges and reduction in lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income.

All other leases are operating leases and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

The benefit of rent free periods received for entering into a lease is spread evenly over the lease term.

### **(j) Pension Costs**

The Group does not operate a pension scheme for employees.

## **Notes to the Financial Statements**

### **For the year ended 31 March 2013**

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## **2 Summary of Significant Accounting Policies (continued)**

### **(k) Segmental Reporting**

IFRS8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Managing Director to allocate resources to the segment and to assess their performance.

### **(l) 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.

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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.

Trade payables are recognised initially at fair value. Other financial liabilities including borrowings are recognised at fair value net of transaction costs incurred.

### **(m) 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). At the balance sheet date the number of outstanding options is adjusted to reflect those options that have been granted during the year or have lapsed in the year.

### **(n) Dividend Distribution**

A final 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. Interim dividend distributions are recognised in the period in which they are approved and paid.

### **(o) 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.

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 below:

## **Notes to the Financial Statements**

### **For the year ended 31 March 2013**

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## **2 Summary of Significant Accounting Policies** (continued)

### **(o) Critical Accounting Estimates and Judgements** (continued)

#### Revenue Recognition

Revenue from permanent placements is recognised when a candidate formally accepts an offer of employment, a start date has been agreed, but employment has not commenced. A ‘fall-through’ provision is made by management, based on historical experience, for the proportion of those placements where the offer of employment is not taken up. Management have reviewed the past assumptions made with respect to the ‘fall-through’ provisions and consider that they remain reasonable. The fall through provision is estimated at 20.5% of those offers where employment has yet to commence (2012: 20.6%). The Directors consider that a change in the range of possible outcomes, or sensitivity, would not have a material impact on the business.

#### Goodwill Impairment

The Group’s determination of whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill is allocated. This requires estimation of future cash flows and the selection of a suitable discount rate details of which are disclosed in note 11.

#### Trade Receivables

There is uncertainty regarding customers who may not be able to pay as their debts 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. Details of the total amount of receivables past due and the movement in allowance for doubtful debts are disclosed in note 14.

## Notes to the Financial Statements

### For the year ended 31 March 2013

### 3 Segment Reporting

#### a) Revenue and Net Fee Income, by Geographical Region

	Revenue Year ended		Net fee income Year ended	
	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
UK	10,345	9,965	4,902	5,339
Asia	1,746	1,801	1,746	1,801
Rest of World	947	886	947	886
	<b>13,038</b>	12,652	<b>7,595</b>	8,026

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 described in note 2. 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 Year ended		Net fee income Year ended	
	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
Permanent				
-UK	4,146	4,763	4,140	4,609
-Asia	1,746	1,801	1,746	1,801
-Rest of World	947	886	947	886
Temporary (UK)	6,199	5,202	762	730
Total	<b>13,038</b>	12,652	<b>7,595</b>	8,026

## Notes to the Financial Statements

### For the year ended 31 March 2013

### 3 Segment Reporting (continued)

#### c) Profit before Taxation by Geographical Region

	Year ended	
	31 March 2013 £'000	31 March 2012 £'000
UK	841	691
Asia	(102)	324
Rest of World	24	(85)
Operating Profit	763	930
Net finance income	20	18
Profit before taxation	783	948

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

Included within operating profit are inter segment revenues/(charges) totalling £0.33m (2012 £0.465m) for the UK, £(0.19m) (2012 £(0.3m)) for Asia and £(0.14m) (2012 £(0.165m)) for the rest of the world.

#### d) Segment Assets and Liabilities by Geographical Region

	Total non-current assets		Total liabilities	
	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
UK	10,018	9,952	979	881
Asia	34	12	577	601
Rest of World	9	2	156	341
Total	10,061	9,966	1,712	1,823

The analysis above is of the carrying amount of reportable segment assets, liabilities and non-current assets. Segment assets and liabilities include items directly attributable to a segment and include income tax assets and liabilities. Non-current asset include property, plant and equipment and computer software.

## Notes to the Financial Statements

### For the year ended 31 March 2013

#### 4 Profit for the Year

	Year ended	
	31 March 2013 £'000	31 March 2012 £'000
Profit for the year is arrived at after charging:		
<b>Audit of company</b>	12	12
<b>Audit of subsidiaries</b>	29	31
Total audit	41	43
<b>Tax compliance services</b> (i.e. related to assistance with corporate tax returns)	2	7
Total fees	43	50
Depreciation		
- owned assets	94	115
- leased assets	-	5
Operating lease rentals		
- land and buildings	427	392
- other operating leases	7	8
Loss/(profit) on disposal of fixed assets	26	1
Exchange rate (gain)/loss	(11)	2
(Profit) relating to a premium received on surrender of a lease net of associated costs	(169)	-

#### 5 Directors' Remuneration

	Year ended	
	31 March 2013 £'000	31 March 2012 £'000
Short term employee benefits (aggregate Directors remuneration)	513	436
Share based payment charge	-	2
	513	438
Highest paid Director: Emoluments	253	177

The Directors are the key management personnel of the Group. There were no post-employment benefits provided to key management during the year and no key management exercised any share based payments.

Details of Directors' emoluments and interests, which form part of these financial statements, are provided in the Director's Remuneration report on pages 16 to 18.

## Notes to the Financial Statements

### For the year ended 31 March 2013

#### 6 Employee Information

Group	Year ended	
	31 March 2013 Number	31 March 2012 Number
The average monthly number of employees of the Group during the year, including Directors, was as follows:		
Consultants	66	73
Management and administration	22	25
Temporary staff	7	10
	<b>95</b>	<b>108</b>

Company	Year ended	
	31 March 2013 Number	31 March 2012 Number
The average monthly number of employees of the Company during the year, including Directors, was as follows:		
Management	5	5

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

Group	Year ended	
	31 March 2013 £'000	31 March 2012 £'000
Wages and salaries	4,668	4,564
Social security costs	370	386
Pension contributions	-	14
Share option charge	19	22
	<b>5,057</b>	<b>4,986</b>



## Notes to the Financial Statements

### For the year ended 31 March 2013

#### 7 Taxation on Profits on Ordinary Activities

	Year Ended	
	31 March 2013 £'000	31 March 2012 £'000
<b>Analysis of charge in the year</b>		
<b>Current tax</b>		
UK Corporation tax	247	231
UK tax over provided in previous years	2	13
<b>Total current tax</b>	<b>249</b>	244
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(26)	24
<b>Total income tax expense in the income statement</b>	<b>223</b>	268

The tax assessed for the year is equal to that obtained by applying the standard rate of corporation tax in the UK. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

#### Reconciliation of the effective tax rate

	Year Ended	
	31 March 2013	31 March 2012
<b>Profit before taxation</b>	<b>783</b>	948
UK corporation tax at the standard rate of 24% (2012: 26%) on profit on ordinary activities	188	246
Effects of:		
Expenses not deductible for tax purposes	20	25
Capital allowances for the period less than depreciation	7	(7)
Tax losses not utilised/(utilised)	59	7
Tax rate differences	(14)	(40)
Temporary differences recognised	(13)	-
Overprovision provision in prior years	2	13
<b>Tax charge for the year</b>	<b>249</b>	244

## Notes to the Financial Statements

### For the year ended 31 March 2013

#### 8 Dividends

	Year ended	
	31 March	31 March
	2013	2012
	£'000	£'000
Final dividend for 2012: 2.25 pence per share (2011: 2.25 pence per share)	267	267
Interim dividend for 2013: 1.00 pence per share (2012: 1.84 pence per share)	120	220
	<b>387</b>	487

The Directors propose to pay a final dividend in respect of the year ended 31 March 2013 of 3.09 pence per share (2012: 2.25 pence per share) which, subject to shareholder approval, will be paid on 28 June 2013 to shareholders who are on the register on 14 June 2013.

#### 9 Earnings Per Share

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

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.

	Year ended	
	31 March	31 March
	2013	2012
	£'000	£'000
Retained profit for basic and diluted earnings per share	560	680
	<b>Number</b>	<b>Number</b>
Weighted average number of shares used for basic earnings per share	11,896,544	11,890,089
Dilutive effect of share options	83,393	297,234
Diluted weighted average number of shares used for diluted earnings per share	11,979,936	12,187,323
	<b>Pence</b>	<b>Pence</b>
Basic earnings per share	4.70p	5.72p
Diluted earnings per share	4.67p	5.58p

## Notes to the Financial Statements

### For the year ended 31 March 2013

#### 10 Property, Plant and Equipment

Group	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>			
At 1 April 2011	1,213	51	1,264
Additions	82	-	82
Disposals	(106)	(30)	(136)
Exchange difference	1	-	1
At 1 April 2012	1,190	21	1,211
Additions	190	-	190
Disposals	(637)	-	(637)
Exchange difference	4	1	5
<b>At 31 March 2013</b>	<b>747</b>	<b>22</b>	<b>769</b>
<b>Depreciation</b>			
At 1 April 2011	983	23	1,006
Provision for the year	114	6	120
Disposals	(103)	(8)	(111)
Exchange rate loss	1	-	1
At 1 April 2012	995	21	1,016
Provision for the year	94	-	94
Disposals	(610)	-	(610)
Exchange rate gain	4	1	5
<b>At 31 March 2013</b>	<b>483</b>	<b>22</b>	<b>505</b>
<b>Net book value</b>			
<b>At 31 March 2013</b>	<b>264</b>	<b>-</b>	<b>264</b>
At 31 March 2012	195	-	195
At 31 March 2011	230	28	258

## Notes to the Financial Statements

### For the year ended 31 March 2013

#### 10 Property, Plant and Equipment (continued)

Company	Fixtures, fittings and equipment £'000
<b>Cost</b>	
At 1 April 2011 and 1 April 2012	19
Disposals	(17)
<b>At 31 March 2013</b>	<b>2</b>
<b>Depreciation</b>	
At 1 April 2011 and 1 April 2012	19
Disposals	(17)
<b>At 31 March 2013</b>	<b>2</b>
<b>Net book value</b>	
<b>At 31 March 2013</b>	<b>-</b>
At 31 March 2012	-
At 31 March 2011	1

#### 11 Goodwill

	Goodwill £'000
<b>Cost</b>	
At 1 April 2011, 1 April 2012 and <b>31 March 2013</b>	<b>9,769</b>

The total carrying value of goodwill is £9.77m, which relates to the acquisition of the Macdonald & Company Group of companies in January 2006, has been tested for impairment with the recoverable amount being determined from value in use calculations.

The value in use is determined through the analysis of the discounted cash flow forecasts based on financial forecasts approved by management which takes account of both past performance and expected future market developments.

If the value in use is estimated to be less than the carrying amount then the carrying amount of the asset would be reduced to its recoverable amount.

## Notes to the Financial Statements

### For the year ended 31 March 2013

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#### 11 Goodwill (continued)

The key assumptions in calculating the value in use is that the Group will meet its budgeted growth in net fee income of 8% in the year to 31 March 2014. After the end of the period covered by the budget a 5% growth rate is applied. This growth rate represents the average rate of growth in the markets in which the Group operates. A discount rate of 9% has been applied which represents the weighted average costs of capital for the Group.

Based upon this analysis the asset has not been impaired since the 'recoverable amount' (being the greater of the net realisable value and the value in use) is in excess of its carrying amount by £0.36m. If the net fee income growth rate fell below 4.3% from year 2 or a discount factor greater than 9.6% were applied then an impairment loss would need to be recognised.

#### 12 Investments

Company	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 1 April 2011	11,139
Disposal in year	(263)
<hr/>	
<b>At 1 April 2012 and 31 March 2013</b>	<b>10,876</b>
<hr/>	
<b>Amounts provided</b>	
At 1 April 2011	263
Disposal in year	(263)
<hr/>	
<b>At 1 April 2012 and 31 March 2013</b>	<b>-</b>
<hr/>	
<b>At 31 March 2013</b>	<b>10,876</b>
<hr/>	
At 31 March 2012	10,876
<hr/>	
At 31 March 2011	11,139
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## Notes to the Financial Statements

### For the year ended 31 March 2013

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#### 12 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</b>	<b>Principal activity</b>
Macdonald & Company Group Limited	England and Wales	Holding Company
Macdonald & Company Property Limited	England and Wales	Recruitment
Macdonald and Company Freelance Limited	England and Wales	Recruitment
Macdonald & Company (Overseas) Limited	England and Wales	Dormant
Macdonald & Company Ltd	Hong Kong	Recruitment
Ru Yi Consulting Limited	Hong Kong	Dormant
Macdonald and Company Pte Limited	Singapore	Recruitment
Macdonald & Company Pty Ltd	Australia	Dormant
Macdonald & Company Recruitment Proprietary Ltd	South Africa	Dormant
The Prime Organisation Ltd	England and Wales	Dormant

For all undertakings listed above, the country of operation is the same as its country of incorporation. The Group holds 100% of all classes of issued share capital. The percentage of the issued share capital held is equivalent to the percentage of voting rights for all companies.

## Notes to the Financial Statements

### For the year ended 31 March 2013

#### 13 Deferred Tax Asset

Group	Tax losses £'000	Accelerated depreciation £'000	Total £'000
At 1 April 2011	-	26	26
Charge to income	-	(24)	(24)
At 31 March 2012	-	2	2
Credit to income	26	-	26
<b>At 31 March 2013</b>	<b>26</b>	<b>2</b>	<b>28</b>

Company	Accelerated depreciation £'000	Total £'000
At 1 April 2011, 1 April 2012 and 31 March 2013	1	1

#### 14 Trade and other Receivables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
<b>Current</b>				
Trade receivables	1,882	1,459	-	-
Allowance for doubtful debts	(85)	(146)	-	-
Amounts owed by subsidiary undertakings			584	343
Other receivables	73	140	1	2
Prepayments and accrued income	1,582	1,467	11	7
	<b>3,452</b>	<b>2,920</b>	<b>596</b>	<b>352</b>

Trade receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. An allowance of £85k (2012: £146k) has been made for estimated irrecoverable amounts.

Other receivables are considered to be short term, and no amounts are past due date. Within the Parent company, loans to subsidiary undertakings are non- interest bearing. The directors have confirmed that the amounts have no set term or repayment date.

## Notes to the Financial Statements

### For the year ended 31 March 2013

#### 14 Trade and other Receivables (continued)

The ageing of trade receivables at the reporting date was:

	Gross trade receivables 2013 £'000	Provisions 2013 £'000	Gross trade receivables 2012 £'000	Provisions 2012 £'000
Not past due	1,056	12	924	3
Past due 0-30 days	578	-	384	68
Past due 30-90 days	117	19	102	55
Past due More than 90 days	131	54	49	20
	<b>1,882</b>	<b>85</b>	1,459	146

Movement in allowance for doubtful debts:

	2013 £'000	2012 £'000
1 April 2012	146	196
Impairment losses recognised	85	93
Amounts written off as uncollectable	(23)	(60)
Impairment losses reversed	(123)	(83)
<b>31 March 2013</b>	<b>85</b>	146

#### 15 Financial Instruments

	Note	2013 £'000	2012 £'000
<b>Financial assets</b>			
Trade and other receivables	14	3,452	2,920
Cash and cash equivalents		2,282	2,831
		<b>5,734</b>	5,751

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.



## Notes to the financial statements

### For the year ended 31 March 2013

#### 15 Financial Instruments (continued)

	2013 £'000	2012 £'000
<b>Financial liabilities</b>		
<b>Current</b>		
Bank overdraft	26	7
	<b>26</b>	<b>7</b>

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.

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.

#### 16 Trade and other Payables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
<b>Current</b>				
Trade payables	193	289	-	6
Other payables	245	265	-	-
Taxation and social security	374	355	17	8
Accruals and deferred income	714	802	38	44
	<b>1,526</b>	<b>1,711</b>	<b>55</b>	<b>58</b>

Due to the short-term nature of the trade and other payables, the Directors consider that the carrying value approximates to their fair value.

## Notes to the Financial Statements

### For the year ended 31 March 2013

#### 17 Share Capital

	31 March 2013		31 March 2012	
	Number	£'000	Number	£'000
ALLOTTED, CALLED UP AND FULLY PAID				
New ordinary shares of 10p each				
At beginning of period	12,066,500	1,207	11,941,500	1,194
Shares issued	-	-	125,000	13
	<b>12,066,500</b>	<b>1,207</b>	12,066,500	1,207

The Company has one class of ordinary shares which carries no right to fixed income.

#### Capital Management Disclosure

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising returns to shareholders through the optimisation of debt and equity balances. The Group considers capital to be comprised of all the components of equity. There are no externally imposed capital requirements on the Group.

The Group manages the capital structure and makes adjustments to it in the light of changes to economic conditions and risks. In order to manage capital the Group has continued to consider and adjust the level of dividends paid to shareholders and also made purchases of its own shares which are held as Treasury Shares. As part of its strategy of seeking to optimise the Group's debt and equity balance the Group also considers the appropriate level of external borrowing and, as disclosed in Note 15, has taken the decision not to renew its borrowing facilities with Barclays Bank.

## Notes to the Financial Statements

### For the year ended 31 March 2013

#### 17 Share Capital (continued)

##### Employee Share Schemes

The Company operates two share options schemes and a HM Revenue & Customs SAYE approved scheme.

##### Enterprise Management Incentive Share Option Scheme

At 31 March 2013 the following options had been granted and remained outstanding in respect of the Company's ordinary shares:

Year of grant	Exercise Price Pence	Exercise Period	Number of options 31 March 2012	Granted	Exercised	Cancelled	Number of Options 31 March 2013
2005/6	57.50	2007-2015*	184,234	-	-	-	<b>184,234</b>
2008/9	20.77	2011-2016*	127,000	-	(17,000)	-	<b>110,000</b>
	31.50	2012-2017	15,000	-	-	-	<b>15,000</b>
	31.50	2014-2019	200,000	-	-	-	<b>200,000</b>
2009/10	42.00	2013-2018	72,000	-	-	(14,000)	<b>58,000</b>
2011/12	68.00	2014-2019	143,000	-	-	(38,000)	<b>105,000</b>
<b>Total 2013</b>			<b>741,234</b>	<b>-</b>	<b>(17,000)</b>	<b>(52,000)</b>	<b>672,334</b>
<b>Weighted average exercise price 2013 (pence)</b>			<b>44.19p</b>	<b>-</b>	<b>20.77p</b>	<b>61.0p</b>	<b>43.48p</b>
Total 2012			908,468	143,000	(280,234)	(30,000)	741,234
Weighted average exercise price 2012 (pence)			33.48p	68.00p	22.61p	34.92p	44.19p

\*These options have fully vested

There were 672,334 options outstanding at 31 March 2013 (2012: 741,234) which had a weighted average price per share of 43.48p (2012: 44.19p). The options vest over a period of two to four years conditional upon the option holders continued employment with the Company.

## Notes to the Financial Statements

### For the year ended 31 March 2013

#### 17 Share Capital (continued)

The conditions which give the option holders the right to exercise their options under the EMI have been achieved. There were no options granted in the year:

	2013	2012
Share price (pence)	-	68.00
Expected volatility (%)	-	41.00
Risk-free interest rate (%)	-	4.0
Expected life of options (years)	-	2

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

#### SAYE Share Scheme

The Company operates a 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 18 August 2011 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 2012	Lapsed	Granted	Leavers	Number of Options 31 March 2013
2011	56.00	2014	119,246	-	-	(26,549)	<b>92,697</b>
<b>Total 2013</b>			<b>119,246</b>	-	-	<b>(26,549)</b>	<b>92,697</b>
<b>Weighted average exercise price 2013 (pence)</b>			<b>56.0p</b>	-	-	<b>56.0p</b>	<b>56.0p</b>
<b>Weighted average exercise price 2012 (pence)</b>			86.0p	86.0p	56.0p	56.0p	56.0p

## Notes to the Financial Statements

### For the year ended 31 March 2013

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#### 17 Share Capital (continued)

There were 92,697 options outstanding at 31 March 2013 which had a weighted average price per share of 56.0p. The performance conditions which gives the option holder the right to exercise their options under the EMI have been achieved. There were no options granted under the SAYE scheme during this year:

	2013	2012
Share price (pence)	-	56.00
Expected volatility (%)	-	20.00
Risk-free interest rate (%)	-	4.0
Expected life of options (years)	-	3

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

#### 18 Reserves

##### Capital Redemption Reserve Fund

The capital redemption reserve relates to the cancellation of the Company's own shares.

##### Treasury Shares

At 31 March 2013, 206,000 shares were held in treasury with a nominal value of £20,600 (2012: 173,000 shares with a nominal value £17,300).

The maximum number of shares held in treasury during the year was 206,000 shares representing 1.70% of the called-up ordinary share capital of the Company (2012: 173,000 representing 1.43% of the called-up ordinary share capital of the Company).

##### Share Premium Account

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary shares.

##### Merger Reserve

The merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued to acquire subsidiaries.

##### Share Option Reserve

The reserve represents the cumulative amounts charged to profit in respect of employee share option arrangements where the scheme has not yet been settled by means of an award of shares to an individual.

##### Currency Translation Reserve

The translation reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations.

##### Retained Earnings

The balance held on this reserve is the accumulated retained profits of the Group.

## Notes to the Financial Statements

### For the year ended 31 March 2013

#### 19 Operating Lease Commitments

As at 31 March 2013 the Group was committed to making the following total payments in respect of non-cancellable operating leases:

Group	Land and buildings	Other	Land and buildings	Other
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Non-cancellable operating leases which expire:				
Within one year	10	2	10	-
Within one to two years	153	-	-	-
Within two to five years	372	-	626	9
After five years	2,332	-	213	-
	<b>2,867</b>	<b>2</b>	<b>849</b>	<b>9</b>

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms as disclosed above. The Group also leases various plant and equipment under operating lease agreements with varying terms.

#### 20 Reconciliation of Profit Before Tax to Net Cash Inflow from Operating Activities

	Group Year ended		Company Year ended	
	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
<b>Profit before taxation</b>	<b>783</b>	948	<b>44</b>	57
Adjust for:				
Depreciation	94	120	-	1
Share option reserve movement	19	20	-	2
Loss/(profit) on sale of plant & equipment	26	2	-	-
Net finance income	(20)	(18)	(19)	(21)
<b>Operating cash flow before changes in working capital</b>	<b>902</b>	1,072	<b>25</b>	39
(Increase)/decrease in receivables	(532)	37	(246)	(232)
(Decrease)/increase in payables	(184)	(334)	(2)	(10)
<b>Cash generated from/(used by) underlying operations</b>	<b>186</b>	775	<b>(223)</b>	(203)

## Notes to the Financial Statements

### For the year ended 31 March 2013

#### 21 Analysis of Net Cash

<b>Group</b>	<b>At 1 April 2012 £'000</b>	<b>Cash flow £'000</b>	<b>At 31 March 2013 £'000</b>
Cash at bank and in hand	2,831	(549)	<b>2,282</b>
Bank overdraft	(7)	(19)	<b>(26)</b>
	<b>2,824</b>	<b>(568)</b>	<b>2,256</b>

<b>Company</b>	<b>At 1 April 2012 £'000</b>	<b>Cash flow £'000</b>	<b>At 31 March 2013 £'000</b>
Cash at bank and in hand	2,076	(127)	<b>1,949</b>
Bank overdraft	(7)	(19)	<b>(26)</b>
Total cash	<b>2,069</b>	<b>(146)</b>	<b>1,923</b>

#### 22 Financial Risk Management

The Board of Directors has overall responsibility for the risk management policies that are applied by the business to identify and control the risks faced by the Group.

The Group has exposure from its use of financial instruments to foreign currency risk, credit risk and liquidity risk.

##### Foreign Currency

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates which will impact on 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 Singapore Dollar.

## **Notes to the Financial Statements**

### **For the year ended 31 March 2013**

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## **22 Financial Risk Management** (continued)

### **Foreign Currency** (continued)

The Group's international operations account for approximately 20 per cent (2012: 21 per cent) of gross fee income and slightly less than 11% per cent (2012: 15 per cent) of the Group's assets and consequently the Group has a degree of translation exposure in accounting for overseas operations.

Currently the Group's policy is not to hedge against this exposure but it does seek 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.

### **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. At the year end no customer represented more than 12% of the total balance of trade receivables.

However, in the current economic climate, there is increased uncertainty regarding customers who may not be able to pay as their debts 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.

It is the Directors' opinion that no further provision for doubtful debts is required.

### **Liquidity Risk**

Effective liquidity risk management requires maintaining sufficient cash and or 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.

Apart from one overdrawn bank account the Group has no financial liabilities other than short term trade payables and accruals as disclosed in note 16, all due within one year of the year end.

The Group has net funds of £2.26m which the Board consider are more than adequate to meet future working capital requirements and to take advantage of business opportunities.

## **23 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 year is £250k (2012: £281k). The balance owed by the subsidiary undertakings at the year end is £584k (2012: £343k).

The Company also provides corporate guarantees on the subsidiary bank accounts. At 31 March 2013 amounts overdrawn by subsidiary bank accounts totalled £26k (2012: £nil). No provision for the fair value of the financial liability guarantee provided for the subsidiary Company bank overdraft is considered necessary.

The Directors receive remuneration from the Group, which is disclosed in the Directors' Remuneration Report. As shareholders, the Directors also received dividends in the year from the Company amounting to £231,140 (2012: £288,068).



## **Directors and Advisers**

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### **Directors**

Robert Macdonald (Executive Chairman)  
Peter Moore (Managing Director)  
Chris Heyberd (Finance Director)  
John Lewis OBE (Non-Executive Director)  
Simon Murphy (Non-Executive Director)

### **Secretary and Registered Office**

Chris Heyberd, 2 Harewood Place, London, W1S 1BX.

### **Registered Number**

1729887

### **Stockbrokers & Nominated Advisers**

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

### **Solicitors**

Eversheds, One Wood Street, London, EC2V 7WS.

### **Auditor**

Crowe Clark Whitehill LLP, St Bride's House, 10 Salisbury Square, London, EC4Y 8EH

### **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.

## Notice of Annual General Meeting

Notice is hereby given that the twenty-ninth Annual General Meeting of Prime People Plc (the "Company") will be held at 2 Harewood Place, Hanover Square, London, W1S 1BX on Tuesday 25 June 2013 at 11.00am for the following purposes:

### Ordinary Business:

1. To receive the Company's financial statements for the year ended 31 March 2013 together with the reports of the Directors and Auditor thereon.
2. To approve the Remuneration Report.
3. To approve the payment of a final dividend of 3.09 pence on 28 June 2013 to shareholders who are on the register on 14 June 2013.
4. 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.
5. To reappoint Mr J.H.J Lewis as a Director, who retires by rotation pursuant to the articles of association, and being eligible, offers himself up for reappointment.
6. To reappoint Crowe Clark Whitehill LLP as Auditor for the ensuing year.
7. To authorise the Directors to determine the remuneration of the Auditor.

### Special Business:

8. 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 £402,200 provided that this authority shall expire at the conclusion of the Annual General Meeting to be held in 2014 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.
9. 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 7 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 £60,350.
10. 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 1,206,650 (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  
2 Harewood Place  
Hanover Square, London, W1S 1BX

By order of the Board  
C I Heyberd  
Secretary  
28 May 2013



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