



14 November 2019

Prime People Plc

Interim Results

Prime People Plc ("Prime People" or the "Group"), the global specialist recruitment business for professional and technical staff working in the Real Estate & Built Environment, Energy & Environmental and Technology, Digital & Data Analytics sectors, announces its unaudited interim results for the six months ended 30 September 2019.

CHAIRMAN'S STATEMENT

Overview

I am pleased to report the results for Prime People Plc for the half-year ended 30 September 2019.

The Group recorded a profit before tax for the period of £1.73m (H1 2019: £1.59m) on revenue of £13.17m (H1 2019: £12.57m).

Financial Results

Group revenue of £13.17m was 4.72% higher than the same period last year (H1 2019: £12.57m).

Group Net Fee Income ("NFI") was £8.80m (H1 2019: £7.99m). Our overseas business showed strong performance, with NFI for Asia increasing to £4.83m (H1 2019: £3.87m) and contributing 57.90% of Group permanent NFI (H1 2019: 52.16%). NFI recorded during the period by our Hong Kong subsidiary, Command Recruitment Group (HK) Ltd ("CMD"), was £2.28m (H1 2019: £1.68m), detailed in Note 3(a) within the NFI for the Group's Asia regional performance. NFI for the UK business was £3.71m (H1 2019: £3.86m) and Rest of World was £0.26m (H1 2019: £0.27m).

Contract NFI represented 5.17% of Group NFI against 7.21% in H1 2019.

Administrative costs for the Group were £7.07m (H1 2019: £6.40m) during the period which included planned expenditure for enhancing technology to drive efficiencies across our business, greater advertising spend, and higher professional costs associated with our continued focus on organic growth.

In the UK, profit before tax was £0.48m against £0.62m in H1 2019. Our Asia business, which covers the Group activities in Hong Kong and Singapore, generated a profit before tax before adjustment for minority interest of £1.24m for the period (H1 2019: £0.95m), of which £0.84m related to CMD (H1 2019: £0.58m).

Our newly established business in Germany, disclosed under Rest of the World, reported a small profit and is indicating good opportunities for growth.

CHAIRMAN'S STATEMENT (cont)

The charge for Group taxation of £0.31m (H1 2019: £0.10m) is based on the expected annual effective tax rate of 19% in UK (H1 2019: 19%), 16.5% in Hong Kong (H1 2019: 16.50%), and 17% in Singapore (H1 2019: 17%).

Basic earnings per share for the period were 9.33p (H1 2019: 10.95p).

Cash Flow

The Group continues to maintain a strong net cash position. At the start of the current financial year, the Group had cash of £2.31m, and at the period end, had cash of £3.04m (H1 2019: £1.79m).

Dividend

The Board will be declaring an interim dividend of 1.80p per share (2019: 1.80p) payable on 6 December 2019 to those shareholders on the register on 22 November 2019.

Outlook

The present focus for the Group is managing the business for increased productivity and profitability. Notwithstanding the mixed and uncertain economic picture of today's markets, we continue to seek opportunities to create shareholder value through both organic and non-organic growth.

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

Robert Macdonald

Executive Chairman
14 November 2019

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	Note	Six months ended		Year ended
		30 September 2019	30 September 2018	31 March 2019 (audited)
		£'000	£'000	£'000
Revenue	3	13,166	12,572	24,660
Cost of sales		(4,365)	(4,584)	(8,873)
Net fee income		8,801	7,988	15,787
Administrative expenses		(7,072)	(6,399)	(13,316)
Operating profit		1,729	1,589	2,471
Profit before taxation		1,729	1,589	2,471
Income tax expense	4	(308)	(104)	(298)
Profit for the period/year		1,421	1,485	2,173
Other comprehensive income				
Exchange gain on translating foreign operations		115	121	106
Other Comprehensive income for the period/ year, net of tax		115	121	106
Total comprehensive income for the period/year		1,536	1,606	2,279
Profit attributable to:				
Equity shareholders of the parent		1,139	1,291	1,660
Non-controlling interest		282	194	513
Profit for the period/year		1,421	1,485	2,173
Total Comprehensive Income attributable to:				
Equity shareholders of the parent		1,254	1,412	1,766
Non-controlling interest		282	194	513
Earnings per share	6			
Basic earnings per share		9.33p	10.95p	13.72p
Diluted earnings per share		9.22p	10.78p	13.38p

The above results relate to continuing operations.

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

		30 September 2019	30 September 2018	31 March 2019 (audited)
	Note	£'000	£'000	£'000
Assets				
Non-current assets				
Goodwill		10,527	10,527	10,527
Property, plant and equipment		708	577	752
Right-of-use assets	12	1,139	-	-
Deferred tax asset		18	45	40
		12,392	11,149	11,319
Current assets				
Trade and other receivables	9	5,069	4,242	4,646
Cash and cash equivalents		3,037	1,778	2,309
		8,106	6,020	6,955
Total assets		20,498	17,169	18,274
Liabilities				
Current Liabilities				
Trade and other payables	10	2,681	2,746	3,080
Lease liabilities	12	383	-	-
Current tax liabilities		481	61	173
		3,545	2,807	3,253
Non-current liabilities				
Deferred tax liabilities			22	22
Lease liabilities	12	1,058	-	-
Total liabilities		4,603	2,829	3,275
Net assets		15,895	14,340	14,999
Capital and reserves attributable to the Company's equity holders				
Called up share capital		1,229	1,229	1,229
Capital redemption reserve		9	9	9
Treasury shares		(168)	(439)	(161)
Share premium account		5,371	5,371	5,371
Merger reserve		173	173	173
Share option reserve		392	411	337
Currency translation differences		711	611	596
Retained earnings		7,308	6,706	6,857
Equity shareholders' funds		15,025	14,071	14,411
Non-controlling interest		870	269	588
Total Equity		15,895	14,340	14,999

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

	Called up share capital	Capital Redempti on reserve	Treasury shares	Share premium account	Merger reserve	Share option reserve	Translat ion reserve	Retained Earnings	Total attributabl e to equity holders of the parent	Non- controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	1,229	9	(421)	5,371	173	314	490	7,764	14,929	75	15,004
Profit for the period	-	-	-	-	-	-	-	1,291	1,291	194	1,485
Adjustment in respect of IFRS 15	-	-	-	-	-	-	-	(1,977)	(1,977)	-	(1,977)
Other comprehensive income	-	-	-	-	-	-	121	-	121	-	121
Equity-settled share-based payments	-	-	-	-	-	97	-	-	97	-	97
Shares purchased for treasury	-	-	(16)	-	-	-	-	-	(16)	-	(16)
Shares issued from treasury	-	-	2	-	-	-	-	-	2	-	2
Adjustment on share disposal	-	-	(4)	-	-	-	-	10	6	-	6
Dividend	-	-	-	-	-	-	-	(382)	(382)	-	(382)
At 30 Sept 2018	1,229	9	(439)	5,371	173	411	611	6,706	14,071	269	14,340

	Called up share capital	Capital Redempt ion reserve	Treasury shares	Share premium account	Merger reserve	Share option reserve	Translati on reserve	Retained Earnings	Total attributabl e to equity holders of the parent	Non- control ling interes t	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 Sept 2018	1,229	9	(439)	5,371	173	411	611	6,706	14,071	269	14,340
Profit for the period	-	-	-	-	-	-	-	368	368	319	687
Other comprehensive income	-	-	-	-	-	-	(15)	-	(15)	-	(15)
Equity settled share-based payments	-	-	-	-	-	(74)	-	-	(74)	-	(74)
Shares purchased for treasury	-	-	(10)	-	-	-	-	-	(10)	-	(10)
Shares issued from treasury	-	-	284	-	-	-	-	-	284	-	284
Adjustment on share disposal	-	-	4	-	-	-	-	(5)	(1)	-	(1)
Dividend	-	-	-	-	-	-	-	(212)	(212)	-	(212)
At 31 March 2019	1,229	9	(161)	5,371	173	337	596	6,857	14,411	588	14,999
Profit for the period	-	-	-	-	-	-	-	1,254	1,254	282	1,536
Impact of IFRS 16	-	-	-	-	-	-	-	(396)	(396)	-	(396)
Other comprehensive income	-	-	-	-	-	-	115	-	115	-	115
Equity-settled share-based payments	-	-	-	-	-	55	-	-	55	-	55
Shares purchased for treasury	-	-	(16)	-	-	-	-	-	(16)	-	(16)
Shares issued from treasury	-	-	13	-	-	-	-	-	13	-	13
Adjustment on share disposal	-	-	(4)	-	-	-	-	4	-	-	-
Dividend	-	-	-	-	-	-	-	(411)	(411)	-	(411)
At 30 Sept 2019	1,229	9	(168)	5,371	173	392	711	7,308	15,025	870	15,895

	Note	Six months ended		Year ended
		30 September 2019	30 September 2018	31 March 2019
		£'000	£'000	£'000
Cash generated from underlying operations	7	1,498	1,260	2,146
Income tax paid		(1)	(4)	(111)
Income tax received		19	2	-
Net cash from operating activities		1,516	1,258	2,035
Cash flows from investing activities				
Net purchase of property, plant and equipment		(94)	(438)	(727)
Net cash used in investing activities		(94)	(438)	(727)
Cash flows from financing activities				
Shares issued from treasury		13	2	260
Shares purchased for treasury		(16)	(16)	-
Dividend paid to shareholders		(411)	(383)	(595)
Lease payments		(338)	-	-
Lease interest		(57)	-	-
Net cash used in financing activities		(809)	(397)	(335)
Net increase in cash and cash equivalents		613	423	973
Cash and cash equivalents at beginning of period/year		2,309	1,234	1,234
Effect of foreign exchange rate changes		115	121	102
Cash and cash equivalents at end of period/year		3,037	1,778	2,309

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

1. General information

Prime People Plc ('the Company') and its subsidiaries (together 'the Group') is an international recruitment services organisation with offices in the United Kingdom, the Middle East and the Asia Pacific region from which it serves an international client base. The Group offers both permanent and contract specialist recruitment consultancy for large and medium sized organisations.

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

This unaudited condensed consolidated interim report for the six months ended 30 September 2019 (including comparatives) is presented in GBP '000 and was approved and authorised for issue by the Board of Directors on 14 November 2019.

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

This unaudited condensed consolidated interim report does not constitute statutory accounts of the Group within the meaning of section 434 of the Companies Act 2006. The financial information for the year ended 31 March 2019 has been extracted from the statutory accounts for that year, which have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2. Basis of preparation

The unaudited condensed consolidated interim report for the six months ended 30 September 2019 has been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRSs") and in accordance with 'IAS 34, Interim financial reporting', as adopted by the European Union. The condensed consolidated interim report should be read in conjunction with the annual financial statements for the year ended 31 March 2019 which were, with exception of the adoption of IFRS 16 Accounting for Leases, prepared in accordance with IFRSs as adopted by the European Union.

The Group was profitable for the period and has considerable financial resources comprising £3.04m of net cash at 30 September 2019. After making enquiries, the Directors have formed a judgement, at the time of approving the six months results, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months. For this reason, the Directors continue to adopt the going concern basis in preparing the condensed set of financial statements.

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

IFRS 16 – Leases

IFRS 16 became effective for accounting periods beginning on or after 1 January 2019 and has superseded IAS 17 Leases.

IFRS 16 distinguishes leases and service contracts based on whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and has been replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Directors have completed their detailed review of IFRS 16 and further guidance on this change in accounting policy is given in note 12 below.

3. Segment reporting

(a) Revenue and net fee income by geographical region

	Revenue			Net fee income		
	Six months ended		Year ended	Six months ended		Year ended
	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
UK	8,072	8,439	16,472	3,707	3,855	7,599
Asia	4,832	3,866	7,770	4,832	3,866	7,770
Rest of World	262	267	418	262	267	418
	13,166	12,572	24,660	8,801	7,988	15,787

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

(b) Revenue and net fee income by classification

	Revenue			Net fee income		
	Six months ended		Year ended	Six months ended		Year ended
	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Permanent						
- UK	3,252	3,279	6,501	3,252	3,279	6,493
- Asia	4,832	3,866	7,770	4,832	3,866	7,770
- Rest of World	262	267	418	262	267	418
Contract (UK)	4,820	5,160	9,971	455	576	1,106
	13,166	12,572	24,660	8,801	7,988	15,787

(c) Profit before taxation by geographical region

	Six months ended		Year ended
	30 September	30 September	31 March
	2019	2018	2019
	£'000	£'000	£'000
UK	478	621	928
Asia	1,243	947	1,523
Rest of World	8	21	20
Profit before taxation	1,729	1,589	2,471

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

(d) Segment Assets and Liabilities by Geographical Region

	Total assets		Total liabilities	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
UK	12,211	11,725	2,474	1,553
Asia	7,916	5,033	2,080	1,215
Rest of World	371	411	49	61
Total	20,498	17,169	4,603	2,829

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

4. Income tax expense

The charge for taxation on profits for the interim period amounted to £308k (2018: £104k) an effective rate of 17.81% (2018: 6.55%).

5. Dividends

	Six months ended		Year ended
	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Final dividend for 2019: 3.25p per share (2018: 3.25p per share)	411	383	383
Interim dividend for 2019: 1.80p per share (2018: 1.75p per share)	-	-	212
	411	383	595

The interim dividend for 2020 of 1.80 pence (2019: 1.80 pence paid on 7 December 2018), was approved by the board on 14 November 2019 and will be paid on 6 December 2019 to those shareholders whose names are on the register on 22 November 2019.

6. Earnings per share

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

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

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

	Six months ended		Year ended
	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Retained profit for basic and diluted earnings per share	1,139	1,291	1,660
	Number	Number	Number
Weighted average number of shares used for basic earnings per share	12,204,023	11,784,523	12,094,523
Dilutive effect of share options	136,491	163,413	307,031
Diluted weighted average number of shares used for diluted earnings per share	12,340,514	11,974,936	12,401,554

Earnings per share (continued)

	Six months ended		Year ended
	30 September 2019 £'000 Pence	30 September 2018 £'000 Pence	31 March 2019 £'000 Pence
Basic earnings per share	9.33p	10.95p	13.72p
Diluted earnings per share	9.22p	10.78p	13.38p

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

	Six months ended		Year ended
	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Profit before taxation	1,729	1,589	2,471
Adjustments for:			
Depreciation	323	104	220
Share based payment expense	90	97	38
Finance costs – IFRS 16	49	-	-
(Profit)/Loss on sale of tangible asset	-	-	1
Operating cash flow before changes in working capital	2,191	1,790	2,730
IFRS 15 adjustment on reserves b/f	-	-	(1,976)
(Increase)/ decrease in receivables	(423)	(596)	976
(Decrease)/ increase in payables	(270)	66	416
Cash generated from underlying operations	1,498	1,260	2,146

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

	Six months ended		Year ended
	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Increase in cash and cash equivalents in period/year	613	423	969
Net funds at the start of the period/year	2,309	1,234	1,234
Other non-cash changes	115	121	106
Net funds at the end of the period/year	3,037	1,778	2,309

9. Trade and other receivables

	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Trade receivables	4,765	4,229	4,156
Allowance for doubtful debts	(650)	(882)	(621)
Prepayments and accrued income	722	808	868
Other receivables	232	87	243
	5,069	4,242	4,646

10. Trade and other payables

	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Trade payables	187	182	316
Taxation and social security	674	797	730
Other payables	212	456	807
Accruals and deferred income	1,608	1,311	1,227
	2,681	2,746	3,080

11. Treasury Shares

At 30 September 2019, the total number of ordinary shares held in Treasury and their values were as follows:

	30 September 2019		30 September 2018	
	Number	£'000	Number	£'000
As at 1 April	195,676	161	505,676	421
Shares purchased for treasury	19,000	16	20,000	16
Shares issued from treasury	(128,500)	(13)	(20,000)	(2)
Equity reclassification on disposal of treasury shares	-	4	-	4
As at 30 September	86,176	168	505,676	439
Nominal value	-	9	-	51
Market value	-	75	-	425

12. Changes in accounting policies

Adjustments recognised on adoption of IFRS 16

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements. The Group has adopted the IFRS 16 modified retrospective approach from 1 April 2019 but has not restated comparatives for the 31 March 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

The weighted average incremental borrowing rate used is 8.47%.

The Group has elected not to recognise the right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less or leases that are of low value (£5,000). Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

The table below summarises the IFRS 16 impact on transition for lease liabilities and the corresponding right-of-use assets along with the movement from 1 April 2019 to 30 September 2019:

Lease liability		£'000
Operating lease commitment disclosed as at 31 March 2019		1,817
Less short-term and low value lease		(27)
Exchange difference		104
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Operating lease commitment at 31 March 2019 falls under IFRS 16		1,894
Discounted using borrowing incremental rate at initial application		(220)
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Lease liabilities recognised at 1 April 2019		1,674
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Lease liabilities movement from 1 April 2019 to 30 September 2019		
At 1 April 2019		1,674
Lease payments		(338)
Interest charge		57
Exchange difference		49
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Total lease liabilities at 30 September 2019		1,441
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Current lease liabilities		383
Non-current lease liabilities		1,058
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Right-of-use assets		
	30 September 2019	1 April 2019
	£'000	£'000
Properties	1,139	1,282
Total right-of-use-assets	1,139	1,282
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13. Related Party Transactions

Prime People Plc provides various management services to its subsidiary undertakings. These services take the form of centralised finance and operations support. The total amount charged by the Company to its subsidiaries during the period is £462k (2018: £384k). The balance owed to the subsidiary undertakings at the period-end is £1m (2018: £409k).