

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this document or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document and the accompanying Form of Proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, please retain the documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected as to the action you should take.

This document contains no offer of transferable securities to the public within the meaning of section 102B of the FSMA, the Companies Act or otherwise. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of the FSMA and has not been (and is not required to be) drawn up in accordance with the Prospectus Rules or approved by the UK Financial Conduct Authority or any other competent authority.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. AIM securities are not admitted to the Official List of London Stock Exchange Plc.

PRIME PEOPLE PLC

(incorporated in England and Wales with registered number 01729887)

**Proposed cancellation of part of the Share Premium Account,
Proposed Return of Capital to Shareholders**

and

Notice of General Meeting

You should read this document in its entirety, together with the Form of Proxy. Your attention is drawn to the letter from the Executive Chairman of Prime People plc which is set out in this document and which contains the unanimous recommendation from the Board that you vote in favour of the Resolution at the General Meeting.

The Directors, whose names appear on page 6, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Notice convening the General Meeting of Prime People plc to be held at 9:45 a.m. on 3 January 2020 at 2 Harewood Place, Hanover Square, London W1S 1BX is set out at the end of this document. Shareholders have been provided with a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to attend the General Meeting in person, please complete, sign and return the Form of Proxy to the Registrar in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by no later than 9:45 a.m. on 31 December 2019 or 48 hours (excluding any part of a day that is not a working day) before the time fixed for holding any adjourned meeting. The completion and return of a Form of Proxy will not prevent Shareholders from attending and voting in person at the General Meeting should they wish to do so.

A copy of this document is available at the Company's website at www.prime-people.co.uk. Neither the content of the Company's website nor any website accessible by hyperlinks from the Company's website is incorporated in, or forms part of, this document.

Forward-looking statements

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

Notice to overseas persons

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

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

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

Publication of this document and Form of Proxy	18 December 2019
Latest time and date for receipt of Form of Proxy	9:45 a.m. on 31 December 2019
General Meeting	9:45 a.m. on 3 January 2020
Record Date and time for entitlement to the Return of Capital	6:00 p.m. on the day of the Court order confirming the Capital Reduction, expected to be 21 January 2020
Court hearing to confirm the Capital Reduction	on or around 21 January 2020
Registration of Court order and Effective Date of the Capital Reduction	expected to be the business day after the Court order confirming the Capital Reduction
Crediting of CREST accounts or dispatch of cheques in respect of the Return of Capital	on or around 29 January 2020

LETTER FROM THE EXECUTIVE CHAIRMAN OF THE COMPANY

PRIME PEOPLE PLC

(incorporated in England and Wales with registered number 01729887)

Directors:

Robert Macdonald *(Executive Chairman)*
Peter Moore *(Managing Director)*
Donka Zaneva-Todorinski *(Finance Director)*
Christopher Heayberd *(Non-Executive Director)*
Sir John Lewis *(Non-Executive Director)*
Simon Murphy *(Non-Executive Director)*

Registered Office:

2 Harewood Place
Hanover Square
London
W1S 1BX

18 December 2019

To Shareholders and, for information purposes only, the holders of options

Dear Shareholder,

Proposed cancellation of part of the Share Premium Account, Proposed Return of Capital to Shareholders

and

Notice of General Meeting

1. Introduction and summary

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

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

The purpose of this document is to provide you with details of, and the reasons for, the Capital Reduction and the Resolution to be proposed at the General Meeting. The Board considers that the Resolution is in the best interests of the Company and its Shareholders as a whole and unanimously recommends that you vote in favour of the Resolution to be proposed at the General Meeting.

2. Background to the Capital Reduction

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

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

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

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

3. Procedure to effect the Capital Reduction

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

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

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

certificated form and that CREST accounts of Shareholders who hold their Ordinary Shares through CREST will be credited on or around the same date.

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

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

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

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

4. United Kingdom taxation

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

UK taxation consequences of the Return of Capital to Shareholders

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

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

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

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

UK stamp duty and stamp duty reserve tax ("SDRT")

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

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

5. General Meeting

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

Resolution: Capital Reduction and Return of Capital

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

6. Action to be taken

A Form of Proxy for use in connection with the General Meeting is enclosed with this document. Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return a Form of Proxy in accordance with the instructions printed thereon so as to be received by the Registrar, Neville Registrars Limited of Neville House, Steelpark Road, Halesowen, West Midlands, B62 8HD not later than 9:45 a.m. on 31 December 2019. Completion and return of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting, if you wish to do so.

7. Recommendation

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

Yours faithfully,

Robert Macdonald
Executive Chairman
Prime People plc

DEFINITIONS

“Articles of Association” or “Articles”	the articles of association of the Company as at the date of this document
“Board” or “Directors”	the directors of the Company as at the date of this document
“Capital Reduction”	the proposed reduction of part of the amount standing to the credit of the Share Premium Account
“Companies Act”	the Companies Act 2006, as amended
“Company”	Prime People plc
“Court”	the High Court of England and Wales
“Effective Date”	expected to be the business day after the Court order confirming the Capital Reduction
“Form of Proxy”	the form of proxy which accompanies this document for use by Shareholders in connection with the General Meeting
“FSMA”	the Financial Services and Markets Act 2000, as amended
“General Meeting”	the general meeting of the Company convened to be held at 9:45 a.m. on 3 January 2020, at 2 Harewood Place, Hanover Square, London W1S 1BX
“Group”	the Company and its subsidiaries and subsidiary and associated undertakings as at the date of this document
“Notice of General Meeting”	the notice convening the General Meeting which is set out at the end of this document
“Ordinary Shares”	the ordinary shares of 10 pence each in the share capital of the Company from time to time
“Prospectus Rules”	the prospectus rules made by the Financial Conduct Authority for the purpose of Part VI of the FSMA
“Record Date”	the day of the Court order confirming the Capital Reduction
“Registrar”	Neville Registrars Limited of Neville House, Steelpark Road, Halesowen, West Midlands, B62 8HD
“Regulatory Information Service”	a service approved by the London Stock Exchange plc for the distribution to the public of announcements and included within the list maintained on the London Stock Exchange plc’s website
“Resolution”	the resolution set out in the Notice of the General Meeting

“Return of Capital”	the proposed return of capital to Shareholders who are on the Company’s register of members at the Record Date pro rata to their respective holdings of Ordinary Shares
“Shareholders”	holders of Ordinary Shares from time to time
“Share Premium Account”	the non-distributable capital reserve with that name in the accounts of the Company
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland

A reference to “£” is to pounds sterling, the lawful currency of the UK.

NOTICE OF GENERAL MEETING

PRIME PEOPLE PLC

(incorporated in England and Wales with registered number 01729887)

NOTICE IS HEREBY GIVEN that a General Meeting (the "**GM**") of Prime People plc (the "**Company**") will be held at 9:45 a.m. on 3 January 2020, at 2 Harewood Place, Hanover Square, London W1S 1BX. You will be asked to consider and, if thought fit, pass the following resolution, which is being proposed as a special resolution of the shareholders of the Company.

Capitalised terms and expressions contained in this notice shall have the meanings given to them in the circular to the Company's shareholders published on 18 December 2019 (the "**Circular**"), unless the context requires otherwise.

SPECIAL RESOLUTION

THAT, subject to the consent of the Court, £2 million standing to the credit of the share premium account of the Company be cancelled and the sum arising on cancellation of this amount be repaid to the registered holders of Ordinary Shares who are on the Company's register of members at 6:00 p.m. on the Record Date pro rata to their respective holdings of Ordinary Shares at 6:00 p.m. on that day.

By order of the Board

Donka Zaneva-Todorinski
Company Secretary

Registered Office

2 Harewood Place
Hanover Square
London
W1S 1BX

Date: 18 December 2019

Notes:

1. A member entitled to speak, attend and vote at the above meeting convened by the above notice is entitled to appoint a proxy to attend, speak and vote in his place. Such proxy need not be a member of the Company. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy and give your instructions directly to them.
2. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by the member. A member wishing to appoint more than one proxy should photocopy the proxy card and indicate on each copy the name of the proxy he appoints and the number of ordinary shares in respect of which that proxy is appointed.
3. A form of proxy is enclosed. The appointment of a proxy will not prevent a Shareholder from subsequently attending and voting at the meeting in person, in which case any votes cast by the proxy will be excluded and the proxy appointment will automatically be terminated. In order to revoke a proxy appointment, an appointing Shareholder will need to inform the Company by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to the Company's Registrar, Neville Registrars Limited of Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD one hour at least before the commencement of the meeting or adjourned meeting, or in the case of a poll taken subsequently to the meeting or adjourned meeting, by the time appointed for taking the poll.
4. To be effective, the instrument of proxy and the power of attorney or other written authority (if any) under which it is signed must be deposited with the Company's Registrar, Neville Registrars Limited of Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD, not less than 48 hours (excluding any part of a day that is not a working day) before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll taken subsequently to the meeting or adjourned meeting, not less than 24 hours before the time appointed for taking the poll. Where a poll is not taken forthwith but is taken less than 48 hours after it was demanded, the instrument of proxy together with any other documents required to be deposited shall be deemed to have been deposited if handed to the chairman of the meeting at which the poll is validly demanded at any time prior to the commencement of such meeting and, if so delivered, the instrument of proxy shall be treated as valid.
5. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those Shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the meeting or, if the meeting is adjourned, Shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting, will be entitled to attend and vote at the meeting. Changes to entries on the register of members after the relevant times will be disregarded in determining the rights of any person to attend and vote at the meeting.