Prime People Plc
Annual Report and Accounts

Annual report and financial statements for the year ended 31 March 2012

2012

Contents

Chairman's Statement & Operating Review

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 2012 gross revenue reduced to £12.65m reflecting the lower level of temporary business (2011: £13.95m).

Net fee income, which is, after profit, the most important measure of performance for the Group, was in line with the previous year at £8.03m (2011: £8.04m).

Whilst Group net fee income at the half year was 8% ahead of the same period in the prior year, our second half saw increased rather than diminished economic uncertainty affecting both the UK and Middle East activity for our businesses resulting in a 12% fall in net fee income in the full year from £7.06m to £6.2m from those regions. By way of contrast, as the segment analysis in Note 2 shows, our Asia business continues to prosper and we are pleased to report an 80% increase in net fee income from £1m to £1.8m. Overseas revenue has increased year on year and the Group generated 33% of its net fee income outside the UK, compared to the 29% achieved in 2011.

The ratio of net fee income derived from permanent as against temporary placements continues to rise from 88:12 in 2011 to 91:9 in the year being reported.

During the year, we continued to increase our permanent consultant headcount within certain of our established areas of activity and, as referred to above, we have broadened our business into new end markets. The larger part of the overall headcount increase has been recruited to work in our Asia operations.

Productivity from our investment in people made in the year has been slower to achieve than expected, resulting in an 8% decrease in operating profit for the full year from £1.01m to £0.93m.

The conversion rate of operating profit from net fee income decreased from 12.5% in 2011 to 11.6% in 2012.

Basic earnings per share decreased slightly to 5.72p (2011: 5.86p).

The Group maintained a strong net cash position with £2.8m as at 31 March 2012 (2011: £3.03m).

Cash & Dividends

The Company continues to hold a substantial cash balance. The Board is continually assessing the most appropriate use of surplus cash generated by the Company. Historically this has focussed on developing new business lines organically and more recently on a program of share buyback. Possible acquisitions have been investigated every year but as yet, none has met the Company's stringent criteria, which include ensuring that scale of transaction should not have the potential to destabilise our continuing businesses and risk associated with acquisition should be minimal. The Board considers that cash needed to complete 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 2.25p (2011: 2.25p) per share which combined with the interim dividend of 1.84p per share, will result in a total dividend of 4.09p (2011: 4.00p).

Share Buy Back

During the year 248,234 shares at a cost of £167,809 (2011: 55,000 shares at a cost of £30,375) 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 26 June 2012.

Strategy & Outlook

Since this time last year, we have continued to advance our overseas strategy by seeking to extend our reach in Asia. To this end the Company has committed to the establishment of an office in Singapore with a senior manager and first hires in place at the date of this report.

The political and economic background to our UK and European activity has become more rather than less uncertain and visibility has become further clouded. However, the Group has strong client relationships and a committed staff ready to exploit regional opportunities and the upturn when it occurs.

Whilst the economic uncertainties in Europe and the Middle East remain, we will still continue to invest appropriately in our established revenue lines and offices, to grow overseas activity and to look for opportunities to broaden the recruitment services the Group offers within all our regions.

Our Far East and South East Asia plans are advancing and these regions are expected to make an increasingly important contribution to continuing profitability.

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
31 May 2012

Financial Review

Trading results

Gross fee income for the year from continuing operations decreased by 9.3% to £12.65m (2011: £13.95m).

Net fee income decreased by 0.01% to £8.03m (2011: £8.04m).

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.

Administrative costs totalled £7.1m which represents 88% of net fee income (2011: £7.03m: 87%). Profit before tax decreased by 7 per cent to £0.95m (2011: £1.01m).

The taxation charge is £0.27m on a profit on ordinary activities before taxation of £0.95m which gives an overall tax rate of 28.3% (2011: 31.8%). The reasons for the difference from the standard UK corporation tax rate of 26% are detailed in note 7 of the accounts.

Earnings per share

Basic earnings per share decreased by 2% to 5.72pence (2011: 5.86pence).The diluted earnings per share decreased by 1% to 5.58pence (2011: 5.65pence).

Dividend

As outlined in the Chairman's statement & operating review, the Directors propose a final dividend of 2.25 pence which will, subject to shareholder approval at the Annual General Meeting, be paid on 29 June 2012 to shareholders who are on the register on 15 June 2012, 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 2012 is slightly up on last year at £13.89m (2011: £13.79m)

Trade receivables are slightly down on last year at £1.46m (2011:£1.72m) with a slight increase in the credit period taken by customers at 47 days (2011: 45 days).

Cash flow and cash position

Net cash inflow of £0.78m (2011: inflow of £1.58m) was generated from operating activities during the year, which after net taxation payments of £0.34m (2011: net taxation payment of £0.23m), resulted in a net cash inflow from operating activities of £0.44m (2011: inflow of £1.35m).

The group operates a centralised treasury function with a net cash position at 31 March 2012 of £2.82m, compared to a net cash position of £3.03m at 31 March 2011.

Chris Heayberd
Finance Director
31 May 2012

Board of Directors

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. Lead 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 Charted 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. Lead 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 Heayberd 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 currently Director of corporate finance for Treasury Holdings. 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. He is a Director of a number of private companies.

Report of the Directors for the year ended 31 March 2012

The Directors present their annual report on the affairs of the Group, together with the audited financial statements for the year ended 31 March 2012. 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 and training 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 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
Whilst the Directors believe that the Group is well positioned in its chosen markets it continues to broaden its strategy by expanding into new industry sectors to reduce reliance on any one recruitment market. This exposes the Group to increased competition and 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, which historically has been focused in the Public Sector has, following government funding cut backs, been in decline and for the time being the signs of recovery for this line of business are limited. We have taken defensive steps to ensure that this business will be in a position to exploit cyclical opportunities when they present themselves and to be prepared for the upturn in its markets when they come. 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 and increasing the number of sectors from which it derives revenues. Future business expansion is planned for the United Kingdom and South East Asia and therefore outcomes could be influenced by the GDP growth of these economies.

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.

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 33 per cent of net fee income and less than 15 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 14 and Remuneration Report on pages 15 to 17.

Results

The consolidated profit on ordinary activities after taxation amounted to £680k (2011: £696k).

Dividends

An interim dividend for 2012 of 1.84 pence per ordinary share was paid on 25 November 2011 to those shareholders on the register at 18 November 2011 (2011: 1.75pence). The Directors recommend the payment of a final dividend for 2012 of 2.25 pence per ordinary share which, if approved at the Annual General Meeting, will be paid on 29 June 2012 to those shareholders on the register on 15 June 2012 (2011: 2.25 pence).

Report of the Directors for the year ended 31 March 2012

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 18 May 2012, the Company had been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules of the following substantial shareholdings:

	Number of 10p ordinary shares	**Percent of issued share capital %**
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 2012 was 70p. The highest and lowest mid market quotations in the period from 1 April 2011 to 31 March 2012 were 75p and 62p.

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.

The Group has embraced the Government's policy on Stakeholder Pensions and made available schemes open to all employees.

Report of the Directors for the year ended 31 March 2012

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 (2011: 34 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 £7,755 (2011: £7,099).
The group made no political donations during the year (2011: £Nil).

Going concern

At 31 March 2012 the Group had a net cash position of £2.82m (2011: £3.03m). 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.

Disposal of Harper Craven Associates Limited

Harper Craven Associate's Limited ('HCA') made small losses in the year and for the foreseeable future it expected to continue to make losses. As a consequence on the 29 March 2012 the Company disposed of the entire issued share capital of 'HCA' for a consideration of £2.

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 2012

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 26 June 2012. 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 6 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 2012.

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 7 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 26 September 2013 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 8 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 860,479 ordinary shares. This represents 7.23 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 2012

Statement as to disclosure of information to auditors

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 auditors 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 auditors in connection with preparing their report and to establish that the company's auditors 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
31 May 2012

Statement of Directors’ responsibilities

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.

They are further responsible for ensuring that the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Prime People plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Corporate Governance

Statement by the Directors on compliance with the Combined Code

The Board of Directors has a strong commitment to high standards of corporate governance integrity and ethics. The Financial Reporting Council (FRC) published the new ‘UK Corporate Governance Code’ in June 2010, replacing the ‘Combined Code on Corporate Governance’, and in September 2010 the Quoted Company Alliance (QCA) published ‘Corporate Governance Guidelines for Smaller Quoted Companies’ replacing previous guidelines issued in 2004 and 2005. Although as an AIM listed company it is not formally required to do so, the Group and has followed the principles of the ‘UK Corporate Governance Code’ so far as is practicable and appropriate for the nature and size of the Group. The Group supports the recommendations on corporate governance of the QCA and has implemented steps to reach compliance.

A statement of the Directors’ responsibilities in respect of the financial statements is set out on page 11. 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, 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 Board and its operation (continued)

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 auditors. 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 auditors 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.

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 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 15 to 17. 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.

Corporate governance

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 2011 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.

Remuneration report

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, pension payments and taxable 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	Pensions (Note1)	Benefits	Year ended 31 March 2012 Total	Year ended 31 March 2011 Total
	£	£	£	£	£
Executive Chairman					
R J G Macdonald	104,363	-	5,521	109,884	103,497
Executive Directors					
P H Moore (Note 2)	167,571	-	9,419	176,990	168,472
C I Heayberd	104,214	13,279	3,635	121,128	153,752
Non-Executive Directors					
J H J Lewis	12,731	-	-	12,731	16,831
S J Murphy	17,731	-	-	17,731	16,831
	406,610	13,279	18,575	438,464	459,413

Notes to the emoluments:
1 - Pension payments made to Chris Heayberd represent salary payments sacrificed in to his personal pension plan.
2 - Peter Moore is the highest paid Director
3 - Benefits include items such as medical and travel allowance,
4 - The Group does not operate a defined benefit pension scheme.

Share option schemes

During 2012 no share options were granted to Executive Directors. On 14 September 2011 Chris Heayberd exercised 184,234 employee share options under the terms of the company’s Enterprise Management Incentive share option scheme. The options were satisfied by transferring 59,234 ordinary shares of 10p from its treasury account and by issuing 125,000 ordinary shares of 10p in the company. Following this exercise of the share options the company purchased 59,234 shares from Chris Heayberd at a price of 68 pence per share. These shares are held in the company’s treasury account. As at 31 March 2012 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

Performance criteria

The performance criteria on Directors share options are as follows:

Options issued in 2005/6:

Options vested in full on the acquisition of Macdonald & Company Group Limited

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
31 May 2012

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 2012 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 auditors

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 Auditors.

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 and any other surround information 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 2012 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.

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 Brides House
10 Salisbury Square
London
EC4Y 8EH

31 May 2012

Consolidated statement of comprehensive income
for the year ended 31 March 2012

	Note	Year ended 31 March 2012 £'000	 31 March 2011 £'000
Revenue	2, 3	**12,652**	13,953
Cost of sales		**(4,626)**	(5,913)
Net fee income	2, 3	**8,026**	8,040
Administrative expenses		**(7,096)**	(7,031)
Operating profit	4	**930**	1,009
Finance income		**21**	19
Finance expense		**(3)**	(7)
Profit before taxation		**948**	1,021
Income tax expense	7	**(268)**	(325)
Profit for the year		**680**	696
Other comprehensive loss			
Foreign currency exchange differences		**(9)**	(55)
Total comprehensive income for the year		**671**	641
Attributable to:			
Equity shareholders of the parent		**671**	641
Earnings per share	9		
Basic earnings per share		**5.72p**	5.86p
Diluted		**5.58p**	5.65p

The above results relate to continuing operations

Consolidated statement of changes in equity

For the year ended 31 March 2012

	Called up share capital £'000	Capital Redemption reserve £'000	Treasury shares £'000	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Foreign currency translation £'000	Retained earnings £'000	Total £'000
At 1 April 2010	**1,194**	**9**	**(9)**	**7,095**	**173**	**77**	**468**	**4,525**	**13,532**
Total comprehensive income for the year	-	-	-	-	-	-	(55)	696	641
Adjustment in respect of share schemes	-	-	-	-	-	31	-	6	37
Shares purchased for treasury	-	-	(30)	-	-	-	-	-	(30)
Dividend	-	-	-	-	-	-	-	(387)	(387)
At 31 March 2011	**1,194**	**9**	**(39)**	**7,095**	**173**	**108**	**413**	**4,840**	**13,793**
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)
At 31 March 2012	**1,207**	**9**	**(169)**	**7,109**	**173**	**81**	**404**	**5,080**	**13,894**

Consolidated statement of financial position
As at 31 March 2012

	Note	2012 £'000	2011 £'000
Assets			
Non – current assets			
Goodwill	11	**9,769**	9,769
Property, plant and equipment	10	**195**	258
Deferred tax asset	13	**2**	26
		9,966	10,053
Current assets			
Trade and other receivables	14	**2,920**	2,956
Cash at bank and in hand	21	**2,831**	3,104
		5,751	6,060
Total assets		**15,717**	16,113
Liabilities			
Current liabilities			
Financial liabilities	15	**7**	56
Trade and other payables	16	**1,711**	2,045
Current tax liabilities		**105**	198
		1,823	2,299
Non-current liabilities			
Financial liabilities – borrowings	15	**-**	21
Total liabilities		**1,823**	2,320
Net assets		**13,894**	13,793

Consolidated statement of financial position
As at 31 March 2012

	Note	2012 £'000	2011 £'000
Capital and reserves attributable to the company's equity holders			
Called up share capital	17	**1,207**	1,194
Capital redemption reserve fund	18	**9**	9
Treasury shares	18	**(169)**	(39)
Share premium account	18	**7,109**	7,095
Merger reserve	18	**173**	173
Share option reserve	18	**81**	108
Currency translation reserve	18	**404**	413
Retained earnings	18	**5,080**	4,840
Total equity		**13,894**	13,793

The financial statements on pages 20 to 54 were approved by the Board of Directors and authorised for issue on 31 May 2012 and are signed on its behalf by:

R J G Macdonald C I Heayberd

Company statement of financial position
As at 31 March 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Investment in subsidiaries	12	**10,876**	10,876
Property, plant and equipment	10	**-**	1
Deferred tax asset	13	**1**	1
		10,877	10,878
Current assets			
Trade and other receivables	14	**352**	119
Cash and cash equivalents	21	**2,076**	2,420
		2,428	2,539
Total assets		**13,305**	13,417
Liabilities			
Current liabilities			
Financial liabilities – borrowings		**7**	29
Other payables	16	**58**	97
		65	126
Total liabilities		**65**	126
Net assets		**13,240**	13,291
Capital and reserves attributable to the company's equity holders			
Called up share capital	17	**1,207**	1,194
Capital redemption reserve fund	18	**9**	9
Treasury shares	18	**(169)**	(39)
Share premium account	18	**7,109**	7,095
Merger reserve	18	**173**	173
Share option reserve	18	**32**	47
Retained earnings	18	**4,879**	4,812
Total equity		**13,240**	13,291

The financial statements of Prime People Plc, company Number 1729887 were approved by the Board and authorised for issue on 31 May 2012 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 2012

Company	Called up share capital £'000	Capital Redemption reserve £'000	Treasury shares £'000	Share premium account £'000	Share option reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2010	**1,194**	**9**	**(9)**	**7,095**	**37**	**173**	**4,463**	**12,962**
Total comprehensive income for the year	-	-	-	-	-	-	736	736
Shares purchased for treasury	-	-	(30)	-	-	-	-	30
Adjustment in respect of share scheme	-	-	-	-	10	-	-	10
Dividend	-	-	-	-	-	-	(387)	(387)
At 31 March 2011	**1,194**	**9**	**(39)**	**7,095**	**47**	**173**	**4,812**	**13,291**
Total comprehensive income for the year	-	-	-	-	(15)	-	537	522
Issue of ordinary share	13	-	-	14	-	-	-	27
Shares purchased for treasury	-	-	(130)	-	-	-	-	(130)
Adjustments in respect of share schemes	-	-	-	-	-	-	17	17
Dividend	-	-	-	-	-	-	(487)	(487)
At 31 March 2012	**1,207**	**9**	**(169)**	**7,109**	**32**	**173**	**4,879**	**13,240**

Group and company cash flow statement

For the year ended 31 March 2012

		Group Year ended		Company Year ended	
	Note	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
Cash generated from underlying operations	**20**	**775**	1,577	**(203)**	236
Income tax paid		**(340)**	(229)	**(51)**	(3)
Income tax received		**3**	1	**-**	-
Net cash from/(used by) operating activities		**438**	1,349	**(254)**	233
Cash flows from investing activities					
Interest received		**21**	19	**21**	18
Net purchase of property, plant and equipment		**(60)**	(169)	**-**	-
Dividend received		**-**	**-**	**500**	645
Net cash (used in)/from investing activities		**(39)**	(150)	**521**	663
Cash flows from financing activities					
Repayment of borrowings		**-**	(280)	**-**	(280)
Capital element of hire purchase obligations		**(25)**	25	**-**	-
Issue of ordinary share capital		**27**	**-**	**27**	-
Purchase of own shares			**-**	**-**	-
Treasury shares		**(130)**	(30)	**(130)**	(30)
Dividend paid to shareholders		**(487)**	(387)	**(487)**	(387)
Interest paid		**(3)**	(7)	**-**	(2)
Net cash used in financing activities		**(618)**	(679)	**(590)**	(699)
Net increase in cash and cash equivalents		**(219)**	520	**(323)**	197
Cash and cash equivalents at beginning of the year		**3,052**	2,587	**2,392**	2,195
Exchange loss on cash and cash equivalents		**(9)**	(55)	**-**	**-**
Cash and cash equivalents at the end of the year		**2,824**	3,052	**2,069**	2,392

Notes to the financial statements
For the year ended 31 March 2012

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, South Africa 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 40a Dover Street, London W1S 4NW. 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 £537,458 (2011: profit £735,794). 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 endorsed 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 polices 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 2011 except as described below.

To ensure consistency of treatment with the current year a number of comparatives on segment reporting in note 3 have been adjusted from those disclosed in the prior years financial statements. In the opinion of the Directors none of the amendments are material and none represent a change in accounting policy. There has been no change to the reported result or net assets from the prior year.

International Accounting Standards (IAS/IFRS) and Interpretations not adopted

At the date of authorisation of these financial statements the following Standards and Interpretations, that have not been applied in these financial statements, were in issue but not yet effective:

IFRS 9 Financial Instruments (Effective 1 January 2013)*

IFRS1 Amendments Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters (effective 1 July 2011)

Amendment to IAS 27 Separate Financial Statements (effective 1 January 2013)*

Amendment to IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2013)*

Notes to the financial statements
For the year ended 31 March 2012

International Accounting Standards (IAS/IFRS) and interpretations not adopted (continued)

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)*

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 July 2011)*

Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2012)*

*To be approved by the European Union

The Directors anticipate that the adoption of the above Standards and interpretations in future periods will have little or no impact on the financial statements of the Group when the relevant Standards come into effect for periods commencing in or after 31 March 2012.

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 2012

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 2012

(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 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 2012

(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 but makes contributions to the personal defined contribution pension plan of one Director. The pension costs charged to profit represent the contributions payable by the Group during the year.

Notes to the financial statements
For the year ended 31 March 2012

(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 2012

(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 20.6% of those offers where employment has yet to commence (2011: 23.8%). 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 2012

3 Segment reporting

a) Revenue and net fee income, by geographical region

	Revenue Year ended		Net fee income Year ended	
	31 March 2012 £'000	**31 March 2011 £'000**	**31 March 2012 £'000**	**31March 2011 £'000**
UK	**9,965**	11,617	**5,339**	5,704
Asia	**1,801**	975	**1,801**	975
Rest of World	**886**	1,361	**886**	1,361
	12,652	13,953	**8,026**	8,040

All revenues disclosed 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 2012 £'000	**31 March 2011 £'000**	**31 March 2012 £'000**	**31March 2011 £'000**
Permanent				
-UK	**4,763**	4,925	**4,609**	4,724
-Asia	**1,801**	975	**1,801**	975
-Rest of World	**886**	1,361	**886**	1,361
Temporary (UK)	**5,202**	6,692	**730**	980
Total	**12,652**	13,953	**8,026**	8,040

Notes to the financial statements
For the year ended 31 March 2012

3 Segment reporting (continuing)

c) Profit before taxation by geographical region

	Year ended 31 March 2012 £'000	31 March 2011 £'000
UK	**691**	1,120
Asia	**324**	96
Rest of World	**(85)**	(207)
Operating Profit	**930**	1,009
Net finance income	**18**	12
Profit before taxation	**948**	1,021

d) Segment assets and liabilities by geographical region

	Total non-current assets		Total liabilities	
	31 March 2012 £'000	31March 2011 £'000	31 March 2012 £'000	31March 2011 £'000
UK	**9,952**	10,039	**881**	1,955
Asia	**12**	14	**601**	108
Rest of World	**2**	-	**341**	257
Total	**9,966**	10,053	**1,823**	2,320

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.

Given the increasing importance of operations outside the UK to the group additional segmental information has been provided for Asia and Rest of World. Previously the results of these two segments were combined.

Notes to the financial statements
For the year ended 31 March 2012

4 Profit for the year

		Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Profit for the year is arrived at after charging:			
Fees payable to the company's auditor for the audit of the company's annual accounts		**12**	12
Fees payable to the company's auditor and its associates for other services			
- the audit of the company's subsidiaries pursuant to legislation		**31**	30
- tax & other services		**7**	4
Depreciation	- owned assets	**115**	160
	- leased assets	**5**	3
Operating lease rentals	- land and buildings	**392**	429
	- other operating leases	**8**	14
Loss/(profit) on disposal of fixed assets		**1**	(3)
Exchange rate loss/(gain)		**2**	(1)

5 Directors' emoluments

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Short term employee benefits	**436**	459
Share based payment charge	**2**	10
Social security contributions	**50**	50
	488	519
Highest paid Director:		
Emoluments	**177**	168

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 15 to 17.

Notes to the financial statements
For the year ended 31 March 2012

6 Employee information

Group	Year ended 31 March 2012 Number	Year ended 31 March 2011 Number
The average monthly number of employees of the Group during the year, including Directors, was as follows:		
Consultants	**73**	64
Management and administration	**25**	25
Temporary staff	**10**	11
	108	100

Company	Year ended 31 March 2012 Number	Year ended 31 March 2011 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 2012 £'000	Year ended 31 March 2011 £'000
Wages and salaries	**4,564**	4,542
Social security costs	**386**	387
Pension contributions	**14**	40
Share option charge	**22**	37
	4,986	5,006

Notes to the financial statements
For the year ended 31 March 2012

7 Taxation on profits on ordinary activities

	Year Ended	
	31 March 2012 £'000	31 March 2011 £'000
Analysis of charge in the year		
Current tax		
UK Corporation tax	**231**	297
UK tax over provided in previous years	**13**	-
Total current tax	**244**	297
Deferred tax		
Origination and reversal of temporary differences	**24**	28
Total income tax expense in the income statement	**268**	325

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 2012	31 March 2011
Profit before taxation	**948**	1,021
UK corporation tax at the standard rate of 26% (2011: 28%) on profit on ordinary activities	**246**	286
Effects of:		
Expenses not deductible for tax purposes	**25**	22
Capital allowances for the period less than depreciation	**(7)**	22
Tax losses not utilised/(utilised)	**7**	(5)
Tax rate differences	**(40)**	2
Marginal relief	**-**	(2)
Overprovision provision in prior years	**13**	-
Tax charge for the year	**244**	325

Notes to the financial statements
For the year ended 31 March 2012

8 Dividends

	Year ended 31 March 2012 £'000	31 March 2011 £'000
Final dividend for 2011: 2.25 pence per share (2010: 1.5 pence per share)	**267**	178
Interim dividend for 2012: 1.84pence per share (2011: 1.75 pence per share)	**220**	209
	487	387

The Directors propose to pay a final dividend in respect of the year ended 31 March 2012 of 2.25 pence per share (2011: 2.25 pence per share) which, subject to shareholder approval, will be paid on 29 June 2012 to shareholders who are on the register on 15 June 2012.

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 2012 £'000	31 March 2011 £'000
Retained profit for basic and diluted earnings per share	**680**	696
	Number	**Number**
Weighted average number of shares used for basic earnings per share	**11,890,089**	11,883,121
Dilutive effect of share options	**297,234**	440,537
Diluted weighted average number of shares used for diluted earnings per share	**12,187,323**	12,323,657
	Pence	**Pence**
Basic earnings per share	**5.72p**	5.86p
Diluted earnings per share	**5.58p**	5.65p

Notes to the financial statements
For the year ended 31 March 2012

10 Property, plant and equipment

Group	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 April 2010	1,079	44	1,123
Additions	142	30	172
Disposals	(1)	(22)	(23)
Exchange difference	(7)	(1)	(8)
At 1 April 2011	1,213	51	1,264
Additions	82	-	82
Disposals	(106)	(30)	(136)
Exchange difference	1	-	1
At 31 March 2012	**1,190**	**21**	**1,211**
Depreciation			
At 1 April 2010	834	38	872
Provision for the year	155	8	163
Disposals	-	(22)	(22)
Exchange rate loss	(6)	(1)	(7)
At 1 April 2011	983	23	1,006
Provision for the year	114	6	120
Disposals	(103)	(8)	(111)
Exchange rate gain	1	-	1
At 31 March 2012	**995**	**21**	**1,016**
Net book value			
At 31 March 2012	**195**	**-**	**195**
At 31 March 2011	230	28	258
At 31 March 2010	245	6	251

Notes to the financial statements
For the year ended 31 March 2012

10 Property, plant and equipment (continued)

Company	**Fixtures, fittings and equipment £'000**
Cost	
At 1 April 2010, 1 April 2011 and **31 March 2012**	**19**
Depreciation	
At 1 April 2010	16
Provision for the year	2
At 1 April 2011	18
Provision for the year	1
At 31 March 2012	**19**
Net book value	
At 31 March 2012	**-**
At 31 March 2011	1
At 31 March 2010	3

11 Goodwill

	Goodwill £'000
Cost	
At 1 April 2010, 1 April 2011 and **31 March 2012**	**9,769**

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.

Notes to the financial statements
For the year ended 31 March 2012

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 25% in the year to 31 March 2013 and 5% thereafter and the level of the rate of discounting used of 7.5%.

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 £1.88m. If the net fee income growth rates are reduced to 0% for the year to 31 March 2013 and 3% thereafter an impairment charge of £0.25m is shown at a discount rate of 10%.

12 Investments

Company	**Shares in subsidiary undertakings £’000**
Cost	
At 1 April 2010 and 31 March 2011	**11,139**
Disposal in year	**(263)**
At 31 March 2012	**10,876**
Amounts provided	
At 1 April 2010 and 31 March 2011	**263**
Disposal in year	**(263)**
At 31 March 2012	**-**
At 1st April 2010, 1 April 2011 and **31 March 2012**	**10,876**

On 29 March 2012 the company disposed of the entire issued share capital of Harper Craven Associates Limited for a consideration of £2.

Notes to the financial statements
For the year ended 31 March 2012

12 Investments (Continued)

The following are subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements:

	Country of incorporation	**Principal activity**
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 Pty Ltd	Australia	Dormant
Macdonald & Company Ltd	Hong Kong	Recruitment
Macdonald & Company Recruitment Limited	Hong Kong	Dormant
Ru Yi Consulting Limited	Hong Kong	Dormant
Macdonald & Company Recruitment Proprietary Ltd	South Africa	Recruitment

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.

The results for Harper Craven Associates limited up until the date of disposal on the 29 March 2012 has been consolidated in the statement of comprehensive income.

Notes to the financial statements
For the year ended 31 March 2012

13 Deferred tax asset

Group	Accelerated depreciation £'000	Total £'000
At 1 April 2010	54	54
Charge to income	(28)	(28)
At 31 March 2011	26	26
Charge to income	(24)	(24)
At 31 March 2012	**2**	**2**

Company	Accelerated depreciation £'000	Total £'000
At 1 April 2010, 1 April 2011 and **31 March 2012**	**1**	**1**

14 Trade and other receivables

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Current				
Trade receivables	**1,459**	1,715	**-**	-
Allowance for doubtful debts	**(146)**	(196)	**-**	-
Amounts owed by subsidiary undertakings		-	**343**	91
Other receivables	**140**	187	**2**	4
Prepayments and accrued income	**1,467**	1,250	**7**	24
	2,920	2,956	**352**	119

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 £146k (2011:£196k) has been made for estimated irrecoverable amounts.

Notes to the financial statements
For the year ended 31 March 2012

14 Trade and other receivables (continued)

The ageing of trade receivables at the reporting date was:

	Gross trade receivables 2012 £'000	Provisions 2012 £'000	Gross trade receivables 2011 £'000	Provisions 2011 £'000
Not past due	**924**	**3**	673	-
Past due 0-30 days	**384**	**68**	794	70
Past due 30-90 days	**102**	**55**	124	7
Past due More than 90 days	**49**	**20**	124	119
	1,459	**146**	1,715	196

Movement in allowance for doubtful debts:

	2012 £'000	2011 £'000
1 April 2011	**196**	250
Impairment losses recognised	**93**	111
Amounts written off as uncollectable	**(60)**	(156)
Impairment losses reversed	**(83)**	(9)
31 March 2012	**146**	196

15 Financial Instruments

	Note	2012 £'000	2011 £'000
Financial assets			
Trade and other receivables	14	**2,920**	2,956
Cash and cash equivalents		**2,831**	3,104
		5,751	6,060

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 2012

15 Financial Instruments (continued)

	2012 £'000	2011 £'000
Financial liabilities		
Current		
Bank overdraft	**7**	52
Hire purchase liabilities	**-**	4
	7	56

	2012 £'000	2011 £'000
Non-current		
Hire Purchase liabilities	**-**	21
	-	21

The maturity of these obligations is as follows:

	2012 £'000	2011 £'000
Within one year	**7**	56
Within two to five years	**-**	21
	7	77
Obligations under finance leases and hire purchase		
Contracts due within five years	**-**	31
Less: future finance charges	**-**	(6)
	-	25

The Group's financial liabilities consist of a bank overdraft and hire purchase obligations, both denominated in sterling.

Amounts due for obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

Notes to the financial statements
For the year ended 31 March 2012

15 Financial Instruments (continued)

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	
	2012 £'000	**2011 £'000**	**2012 £'000**	**2011 £'000**
Current				
Trade payables	**289**	250	**6**	2
Other payables	**265**	243	**-**	-
Taxation and social security	**355**	512	**8**	42
Accruals and deferred income	**802**	1,040	**44**	53
	1,711	2,045	**58**	97

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 2012

17 Share capital

	31 March 2012		31 March 2011	
	Number	**£'000**	**Number**	**£'000**
ALLOTTED, CALLED UP AND FULLY PAID				
New ordinary shares of 10p each				
At beginning of period	**11,941,500**	**1,194**	11,941,500	1,194
Shares issued	**125,000**	**-**	-	-
	12,066,500	**1,207**	11,941,500	1,194

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 2012

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 2011 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 2011	Granted	Exercised	Cancelled	**Number of Options 31 March 2012**
2005/6	57.50	2007-2015*	184,234	-		-	**184,234**
2008/9	20.50	2011-2016*	184,234	-	(184,234)	-	**-**
	20.77	2011-2016*	194,000	-	(57,000)	(10,000)	**127,000**
	31.50	2012-2017	40,000	-	(25,000)		**15,000**
	31.50	2014-2019	200,000	-		-	**200,000**
2009/10	42.00	2013-2018	106,000	-	(14,000)	(20,000)	**72,000**
2011/12	68.00	2014-2019	-	143,000		-	**143,000**
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**
Total 2011			879,468	117,000	-	(88,000)	908,468
Weighted average exercise price 2011 (pence)			33.21p	42.00p	-	28.45p	33.48p

*These options have fully vested

There were 741,234 options outstanding at 31 March 2012 (2011: 908,468) which had a weighted average price per share of 44.19p (2011: 33.48p). 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 2012

17 Share capital (continued)

The conditions which give the option holders the right to exercise their options under the EMI have been achieved. All the options granted during the year have been valued on a weighted average basis using the Black-Scholes option pricing model with the following assumptions:

	2012	2011
Share price (pence)	**68.00**	42.00
Expected volatility (%)	**41.00**	65.00
Risk-free interest rate (%)	**4.0**	4.0
Expected life of options (years)	**2**	2

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

2001 Employee Share Option Scheme

There are no share options held under the HM Revenue & Customs approved scheme.

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 2011	Lapsed	Granted	Leavers	**Number of Options 31 March 2012**
2008	86.00	2011	58,534	(58,534)	-	-	**-**
2011	56.00	2014			141,358	(22,112)	**119,246**
Total 2012			**58,534**	**(58,534)**	**141,358**	**(22,112)**	**119,246**
Weighted average exercise price 2012 (pence)			**86.0p**	**86.0p**	**56.0p**	**56.0p**	**56.0p**
Weighted average exercise price 2011 (pence)			86.0p	-	-	**86.0p**	**86.0p**

Notes to the financial statements
For the year ended 31 March 2012

17 Share Capital (continued)

There were 119,246 options outstanding at 31 March 2012 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. All the options granted during the year have been valued on a weighted average basis using the Black-Scholes option pricing model with the following assumptions:

	2012	2011
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 2012, 173,000 shares were held in treasury with a nominal value of £17,300 (2011: 80,000 shares with a nominal value £8,000).

The maximum number of shares held in treasury during the year was 173,000 shares representing 1,43% of the called-up ordinary share capital of the company (2011: 80,000 representing 0.7% 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 2012

19 Operating lease commitments

As at 31 March 2012 the group was committed to making the following total payments in respect of non-cancellable operating leases:

Group	Land and buildings 2012 £'000	Other 2012 £'000	Land and buildings 2011 £'000	Other 2011 £'000
Non-cancellable operating leases which expire:				
Within one year	**10**	**-**	40	1
Within two to five years	**626**	**9**	921	17
After five years	**213**	**-**	241	-
	849	**9**	1,202	18

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 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
Profit before taxation	**948**	1,021	**57**	119
Adjust for:				
Depreciation	**120**	163	**1**	2
Share option reserve movement	**20**	37	**2**	10
Loss/(profit) on sale of plant & equipment	**2**	(3)	**-**	-
Net finance income	**(18)**	(12)	**(21)**	(2)
Operating cash flow before changes in working capital	**1,072**	1,206	**39**	129
Decrease/(increase) in receivables	**37**	(160)	**(232)**	81
(Increase)/decrease payables	**(334)**	531	**(10)**	26
Cash generated from/(used by) underlying operations	**775**	1,577	**(203)**	236

Notes to the financial statements
For the year ended 31 March 2012

21 Analysis of net cash

Group	At 1 April 2011 £'000	Cash flow £'000	At 31 March 2012 £'000
Cash at bank and in hand	3,104	(273)	**2,831**
Bank overdraft	(52)	45	**(7)**
	3,052	(228)	**2,824**
Bank loans due within one year	-		
Obligations under finance lease			
< 1 year	(2)	2	**-**
> 1 year	(23)	23	**-**
Total cash	3,027	(203)	**2,824**

Company	At 1 April 2011 £'000	Cash flow £'000	At 31 March 2012 £'000
Cash at bank and in hand	2,421	(345)	**2,076**
Bank overdraft	(29)	22	**(7)**
Total cash	2,392	(323)	**2,069**

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 South African Rand.

Notes to the financial statements
For the year ended 31 March 2012

22 Financial risk management (continued)

Foreign currency (continued)

The Group's international operations account for approximately 21 per cent (2011: 17 per cent) of gross fee income and slightly less than 15 per cent (2011: 10 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 £2.8m 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 £281k (2011: £388k). The balance owed by the subsidiary undertakings at the year end is £343k (2011: £91k).

The Company also provides corporate guarantees on the subsidiary bank accounts. At 31 March 2012 amounts overdrawn by subsidiary bank accounts totalled £Nil (2011: £23k).

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 £288,068 (2011: £227,027).

Directors and Advisers

Directors

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

Secretary and registered office

Chris Heayberd, 40a Dover Street, London, W1S 4NW.

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.

Auditors

Crowe Clark Whitehill LLP, St Brides 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-eighth Annual General Meeting of Prime People Plc (the "Company") will be held at 40a Dover Street, Mayfair, London, W1S 4NW on Tuesday 26 June 2012 at 11.00am for the following purposes:

Ordinary Business:

1. To receive the Company's financial statements for the year ended 31 March 2012 together with the reports of the directors and auditors thereon.
2. To approve the Remuneration Report.
3. To reappoint Mr P H Moore as a Director, who retires by rotation pursuant to the articles of association, and being eligible, offers himself up for reappointment.
4. To reappoint Crowe Clark Whitehill LLP as auditors for the ensuing year.
5. To authorise the Directors to determine the remuneration of the auditors.

Special Business:

6. 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 2013 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.

7. 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 561of 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.

8. 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
40a Dover Street
London W1S 4NW

By order of the Board
C I Heayberd
Secretary
31 May 2012

Notice of Annual General Meeting *(continued)*

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 (not the Chairman) and give your instructions directly to them.

2. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or 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 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 Shareholders 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 registrars, Neville Registrars Limited, Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA by 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, 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, or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 or the Enduring Powers of Attorney Act 1986 (or any statutory modification or re-enactment thereof for the time being in force) of any such power or written authority must be deposited at the Company's registrars, Neville Registrars Limited, Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA, not less than 48 hours 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. Directors' service contracts together with a copy of the Rules to the company's Inland Revenue Approved Employee Enterprise Management Incentive Scheme and the minutes of the previous Annual General Meeting will be available for inspection during the Annual General Meeting and for at least 15 minutes before it begins.

6. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those Shareholders entered on the Company’s register of members not later than 48 hours before the time of 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 such time on such date will be disregarded in determining the rights of any person to attend and vote at the meeting.

PRIME PEOPLE PLC

Form of Proxy

For use at the Annual General Meeting convened for Tuesday 26 June 2012 at 11.00am.
I/We

Of

being (a) member(s) of the above-named Company, hereby appoint the Chairman for the time being of the meeting or*

as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 40a Dover Street, London, W1S 4NW on Tuesday 26 June 2012 at 11.00am and at any adjournment thereof.

I/We direct my/our proxy to vote with an X in the spaces below on the resolutions set out in the notice convening the Annual General Meeting as follows, (if no indication is given, your proxy will vote for or against the resolution or abstain from voting as he thinks fit):

ORDINARY BUSINESS	**FOR**	**AGAINST**	**ABSTAIN**
1. To approve the Company's financial statements for the year ended 31 March 2012 together with the reports of the directors and auditors thereon.			
2. To approve the Remuneration Report.			
3. To reappoint Mr P H Moore as a Director			
4. To re-appoint Crowe Clark Whitehill LLP as auditors for the ensuing year			
5. To authorise the directors to determine the remuneration of the auditors.			
SPECIAL BUSINESS			
6. To authorise the Directors to issue new shares			
7. To empower the Directors to allot shares for cash.			
8. To authorise the Directors to make market purchases of its own shares.			

If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

Signed this day of 2012

Signature

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No BM3865

1

NEVILLE REGISTRARS LIMITED
NEVILLE HOUSE
18 LAUREL LANE
HALESOWEN
WEST MIDLANDS
B63 3BR

FIRST FOLD

THIRD FOLD AND TUCK IN

Prime People Plc

Form of Proxy *(continued)*

Notes:

1. If any other proxy is preferred, strike out the words "Chairman of the Meeting" and add the NAME and ADDRESS of the proxy you wish to appoint and initial the alteration. The proxy need not be a member.

2. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

3. If the appointer is a corporation, this form must be completed under its common seal or under the hand of some officer or attorney duly authorised in writing.

4. The signature of any one of the joint holders will be sufficient, but the names of all the joint holders should be stated. In the case of joint holders of a share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share.

5. To be effective this form and the power of attorney or other written authority (if any) under which it is signed, or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 or the Enduring Powers of Attorney Act 1986 (or any statutory modification or re-enactment thereof for the time being in force) of any such power or written authority must be deposited at the Company's registrars, Neville Registrars Limited, Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA not less than 48 hours 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, this form 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.

6. The completion of this form will not preclude a member from attending the meeting and voting in person in which case any votes cast by the proxy will be excluded and your proxy appointment will automatically be terminated. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating the intention to invoke the proxy appointment to the Company's registrars, Neville Registrars Limited, Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA by 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, by the time appointed for taking the poll.

7. Any alteration of this form must be initialled.

8. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company’s register of members not later than 48 hours before the time of the meeting or, if the meeting is adjourned, Shareholders entered on the Company’s register of members not later than 48 hours before the adjourned meeting, will be entitled to attend and vote at the meeting. Changes to entries on the register of members after such time will be disregarded in determining the rights of any person to attend and vote at the meeting.

Financial Calendar

Half year results	-	Announcement November 2012
Full year results	-	Announcement June 2013
Report and accounts	-	Posted to shareholders June 2013

Principal Addresses

Prime People Plc
40a Dover Street
Mayfair
London
W1S 4NW
T: + (0) 20 7318 1785
F: + (0) 870 442 1737
www.prime-people.co.uk
E: co.sec@prime-people.co.uk

Macdonald & Company
York House
20 York Street
Manchester
M2 3BB
T: + (0) 161 605 0500
F: + (0) 20 7629 7220
www.macdonaldandcompany.co.uk
E: manchester@macdonaldandcompany.com

Macdonald & Company
Design Quarter
Nicol Grove Office Park
The Business Centre
Leslie Road
Fourways, 2055
South Africa
T: + 27 11 513 4020
www.macdonaldandcompany.co.za
E: southafrica@macdonaldandcompany.com

Macdonald & Company
30 Raffles Place
Level 17
Chevron House
Singapore
048622
T: + 852 2248 3000
www.macdonaldandcompany.com
E: singapore@macdonaldandcompany.com

Macdonald & Company
40a Dover Street
Mayfair
London
W1S 4NW
T: + (0) 20 7629 7220
F: + (0) 20 7629 3990
www.macdonaldandcompany.com
E: london@macdonaldandcompany.com

Macdonald & Company
Office 206 - 207
Barsha Valley Building
Al Barsha 1
PO Box 282196
Dubai
United Arab Emirates
T: + 971 4 430 9233
www.macdonaldandcompany.ae
E: dubai@macdonaldandcompany.com

Macdonald & Company
16th Floor
1 Duddell Street
Central
Hong Kong
T: + 852 2248 3000
F: + 852 2526 9150
www.macdonaldandcompany.hk
E: hongkong@macdonaldandcompany.com

Prime People Plc
40a Dover Street
Mayfair
London W1S 4NW
Tel: 0207 318 1785
Fax: 0870 442 1737